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BUILDING PEACE OUT OF WAR

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INTRODUCTION

"A generation ago the statesmen of the great coalition which defeated imperial Germany had in their hands an opportunity unique in the history of the world. They missed it, and we are to-day living out the dismal lesson of their failure. That opportunity is about to recur, and, by a miraculous conjunction of events, Britain is once more a protagonist in the great combination of peoples which will shortly find itself in undisputed mastery of the world. British statesmen will once again play a leading part, alongside those of the other United Nations, in framing a settlement which may mould the whole shape of human society for half a century or more to come."

These words taken from the concluding study in this volume, pose the basic issue on which, from one angle or another, all the other studies are designed to throw light. "It is now," continues this same chapter, "widely recognised that the two world wars of the twentieth century, and the intervening period of armistice, must be regarded as episodes in a major revolution which is re-shaping the whole pattern of civilised society." Three main elements are singled out as characterising this revolution. The first and most obvious is the high degree of interdependence in human affairs which technical advance has brought about. The repercussions of events, policies and ideas no longer stop at national or continental frontiers. They have become world-wide. It follows that many of the slogans of the nineteenth century diplomacy—"neutrality," "splendid isolation," "matters of purely domestic concern"—have become meaningless mumbo-jumbo. Forethought, planning, organisation must be equally world-wide.

The second significant element in this twentieth century revolution is the change which it has brought about in the role played by the State within the community. No longer limited to its nineteenth century functions of maintaining internal order and external security, the State is reaching out its powers of direction and control into every sphere of the community's life, breaking down the barriers which once separated the "political" from the "economic" sphere and maintained the latter as a sort of autonomous state within the

State. It follows that the character of the relations between States must change, extending and diversifying as the State itself extends and diversifies its activities within the community.

Finally the revolution has entailed a radical change in the nature of national power. The technical conditions which in the nineteenth century made possible the co-existence of a patchwork of theoretically equal and independent sovereign national "Powers" have now passed. Power resides in the command of industrial potential, in the possession of a high level of technical and administrative skill and a high degree of political consciousness throughout the community; and last but not least in a full understanding of the moral element in power which makes it most effective and enduring, both nationally and internationally, when it is exercised not arbitrarily and in the interests of a particular group or nation, but responsibly and in the interests of the common man. These qualifications only a bare handful of nations now possess; and whether we like it or not, the world politics of the future will in fact be shaped primarily by the policies and inter-relations of the three or four leading world Powers. The peace which grows out of this war will be stable and enduring to the extent that those nations, unlike Nazi Germany or Imperialist Japan, exercise their power with a full realisation of its moral implications and responsibilities.

Such, in the view of the authors of these studies, is the basic character of the problem with which the architects of the peace are confronted. In face of a problem of this complexity and magnitude there is no single all-embracing solution, no neat blue-print of a future world order, which can be expected to provide a sound foundation for the future peace. Indeed, the Utopian type of thinking which underlies the blue-print approach—a type of thinking which is much in evidence in the plethora of rival schemes for world states and federal unions now jostling for public attention—is itself obsolete. What is wanted in the new conditions is an approach which, while never losing sight of the ideal, is at the same time empirical, ready to recognise the forces and tendencies in society which underlie the revolution of our time and to canalise them and turn these to human advantage.

This approach does not easily lend itself to the tidy and

well-argued treatise which is the product of a single mind. It is often more effectively applied in the form of a series of essays and studies which bring different minds and types of experience to bear on different facets of the total problem. This is the technique of thinking applied in the present volume, as in all the publications of P E P. It is a collection of studies written, over a period of time, by a group of people of different outlook and experience, but sharing a common philosophy and technique of thinking.

The social philosophy which has animated the work was set forth in a statement appearing in the first study published by the group as a P E P broadsheet in November, 1939, the text of which has not been included in this volume because it was addressed to the study of questions which have now largely been answered by events. The statement of principles on which the maintenance of western civilisation depends was there summed up as

1. Upholding freedom of thought, of the expression of opinion, and of movement,
2. Upholding the rule of law both nationally and internationally,
3. The progressive use of the State, not as an instrument of domination nor merely for policing and the protection of private interests, but as an instrument of public welfare;
4. The organisation of production and distribution for raising the standards of living and of life of the peoples of the world

These principles underlie the thinking of all the studies. They have been modified only in form and presentation, but not in essence, to conform with some of the classic public pronouncements, such as President Roosevelt's Four Freedoms, which have since gone to build up the social philosophy of the democratic peoples.

From this starting-point, the thought contained in the studies proceeds on two parallel lines, one concerned with the institutional and organisational structure of post-war international relations, the other with their substance, that is to say the political and historical realities to which the constitutional structure must conform. For it is stressed throughout that the

political realities, and particularly the character and development of the relations between the three or four leading United Nations, are paramount, and that the most perfectly devised structural pattern would be impotent to maintain the peace in the absence of effective and lasting harmony amongst the leading Powers.

The first two studies therefore deal with the essentially political issues of the post-war world, as they will develop out of the changing alignments and changing power relationships of a world at war. The first analyses the emerging pattern of world politics in its bearing on the future of Britain's relations with Europe and points to the new role of leadership which the British peoples must accept in order to ensure the emergence from the present chaos of a peaceful and united Europe. The second develops more fully the analysis of a problem which is briefly touched upon in the first, but which is cardinal to the future both of Europe and of the world as a whole, namely Britain's relations with the U.S.S.R. The third deals with certain aspects, particularly in the all-important economic field, of Britain's relations with the third World Power, the U.S.A.

Thence follow a series of essays on specific problems of reconstruction which cut across national frontiers—raw materials, civil aviation, colonial dependencies—and on the international policies and organisations required to deal with them. The list of subjects here treated is in no way intended to be exhaustive; nor have the subjects necessarily been selected because they are the most important, but rather because they are typical of the kind of "functional" problem which will arise in the shaping of the peace.

Here again the approach is essentially empirical. The principles adopted are: first, that international organisation should follow the pattern not of some tidy blue-print but of the actual needs and problems of the time and circumstance which lend themselves to treatment on an international basis; and secondly, that wherever possible it is better to maintain and adapt existing international agencies, and particularly those which have grown out of the needs of common action in war, than to create wholly new machinery which takes no account of existing practice and experience. For this reason, and because there is still a very general ignorance of the

numerous and often highly successful experiments in international machinery which have been carried out by the United Nations to meet the needs of war, particularly in the economic field, a factual study of war-time United Nations economic agencies has also been included

Finally, and in order to summarise the thought of the whole series, there has been included a study of Britain's future foreign policy. It is natural that those writing primarily for a British public should consider the problems of international peacebuilding primarily from a British point of view, and draw their conclusions in a sphere in which the British public can directly influence action, that is to say, in the sphere of Britain's own foreign policy. It does not follow from this that the thought of the studies starts from a narrowly nationalistic standpoint. On the contrary, the principle is emphasised throughout that British power will be effective and British influence make itself felt in the world precisely to the extent that British interests are brought to coincide with those of humanity at large, and British policies designed to promote the peace and well-being of ordinary people everywhere, and the purpose of this concluding study is to apply that principle to the current and future conduct of Britain's foreign policy.

All the studies included in this volume have been made available to a limited public at one time or another during the past three years in the form of P E P broadsheets issued in the PLANNING series. The text appearing in this volume is not in all cases identical with that which appeared in the original broadsheet. In the majority of cases it has only been necessary to make slight changes, bringing the factual material up to date or omitting passages which dealt with issues no longer of current interest. Only in one or two cases has it been found necessary to make any substantial alterations—notably in the first two studies "Britain and Europe" and "Britain and the U.S.S.R." Originally published in December 1941 and April 1942 respectively, that is before the signature of the Anglo-Soviet Treaty of May 1942, both studies had to treat as a yet unfulfilled desideratum an intimacy of relations between the two countries which shortly afterwards became an accomplished fact. We are grateful to the Editor of *Agenda* for permission to republish the latter, which appeared in the issue of that Journal for April, 1942

CHAPTER I

BRITAIN AND EUROPE

For centuries the immunity in which the British people have lived and shaped their way of life has rested on two things: their island position, backed by mastery of the seas; and the division of power on the continent of Europe.

To-day profound changes are at work—changes of which this war is as much the effect as the cause—that strike at the roots of British insularity. It is not merely that modern warfare has reached out into a new dimension, the air, in which there are no islands. At the same time changes are taking place in the technical basis of civilisation that have undermined the old patterns of power-relationship on the continent of Europe. The divisions of power in Europe upon which, no less than on our island position, we have so long depended for our security are passing away. Of this transformation Hitler is not the cause but merely the catalyst. With, without, or against Britain, Europe is moving towards unity.

In the face of this challenge, our choice after victory is simple. Either we can leave unfinished the job we have taken in hand, and by an act of renunciation abandon Europe to work out its own unity without or against us. By so choosing we shall condemn ourselves, be our victory never so complete, to the forfeiture of our position as a world Power, surviving as a precarious outpost of the Americas, cut off from the roots of our own civilisation, and more than likely doomed to pay the price once more in another twenty years.

Or else we can decide to finish the job, and by a bold act of statesmanship accept a position of leadership in Europe. This is an undertaking for which we shall need all the resources and energy we can command, and all the help that the Dominions and the U.S.A. can give. But it is one which, even if it were not the only sure guarantee of lasting peace in Europe and security for Britain, would in itself be supremely worth the call which it will make on a reawakened British patriotism.

I. THE CHANGING NATURE OF POWER

All problems of politics are at bottom problems of power. Power, not merely in the sense of physical force, but in its

widest meaning, physical, economic and moral, is the necessary basis of all forms of organised human society, and no political settlement is going to work unless it rests on two things. a thorough analysis of the constituent elements of power in the modern world, and an insistence that power entails corresponding responsibilities which must be clearly defined and accepted.

Technical progress has effected a revolutionary change in the constituent elements of national power. A hundred, even 50 years ago, when the economic life of communities was still largely self-contained, communications relatively primitive, and education and political consciousness the privilege of the very few, power could be based on foot-soldiers armed with rifles, on strong strategic frontiers and on the simple instinct of patriotism. Quite a small community possessing these things could claim the dignity of a "Power," with full sovereignty and an independent foreign policy. The idea of nationalism, *that is, the idea that the ultimate units of power should be coterminous with the boundaries of individual language or culture groups*, was not on the whole incompatible with the realities of power. The system of sovereign national states, with their alliances, neutralities and shifting balance of power, which made up the political life of Europe, was still workable.

To-day the elements of power have radically changed. Power now rests on industrial potential; on the ability to control or ensure the supply of vast quantities of raw materials from sources scattered throughout the world, on a high order of technical and administrative skill, and last but not least on the ability to command the continued and active allegiance of the increasingly individualised and politically conscious masses. These qualifications only a bare handful of the greatest Powers can command. It follows that the world is moving irrevocably towards a new international power system—a system in which the political life of humanity will be organised in a few large and relatively integrated groups under the leadership or domination of the principal Great Powers.

These are realities which the architects of the coming settlement have got to accept. Dreams of a reversion, whether in Europe or elsewhere, to the *Kleinstaaterei* of the age of nationalism have been proved by the experience of the inter-war years to be as Utopian as dreams of a Weltsian world state. The

attempt of the peacemakers of 1919, inspired by the Wilsonian doctrine of self-determination, to carry the principle of nationalism to its extreme conclusion, was one of the major causes of the present conflict. The yet further disintegration of Europe which that doctrine was taken to entail ran clean counter to the technical needs of the age. The new states which it created, and to which it attributed the rights of absolute sovereignty and equality, had revealed their weakness long before the outbreak of the present war. Economic and social discontent, especially in face of crises such as the World Depression of 1931, was most evident in precisely those areas of Central Europe where the principle of nationalism had been pushed furthest. The so-called sovereign independence of the smaller Powers there and elsewhere became more and more fictitious in face of the growing strength of a resurgent and predatory Germany. The unity in face of a common threat which was their sole hope of survival was not forthcoming because their insistence on their sovereign rights stood in the way of agreement amongst themselves, and because Britain and France, who alone could have united them by their leadership, were still living in a world of 19th century illusions, blind to the responsibilities of leadership which 20th century conditions imposed upon them. Over wide areas of Europe there was thus created a political vacuum. Into that vacuum burst the power-machine of Nazi Germany.

The complete collapse, in a matter of days or weeks, of state after state, varying in size from Luxemburg to France, proved beyond question the obsolescence of the old power-system in Europe. In March, 1938, there were over 20 sovereign capitals on the continent of Europe. To-day there are barely half-a-dozen. These facts are a measure of the revolution which has occurred in the nature of power and a warning for the future.

DOMINATION OR LEADERSHIP

Moreover they give us a clue to the significance of the present conflict. This is a war of transition from one type of international power-system to another. The broad outlines of this transformation are already determined by the technical conditions of the age. The war is its effect, not its cause. What the war will determine is which of the Great Powers shall form the nuclei of the new power-groupings; what will be the area of

their influence, and their relations to each other, and above all what will be the principles of organisation upon which the new groups will be based

An Axis victory would have resulted in the emergence of two great power-groupings in the world outside the American continent—a Europe under German domination and a Far East under Japanese. In both cases the *Weltanschauung* would be totalitarian, the principle of organisation would be racial domination accompanied by ruthless centralisation and the reduction of all other peoples to "colonial" status, and the relations between these groupings and the American would be such as to render world conflict inevitable and the attempt to build a world economic system hopeless

If Britain and the Allies win, and if—the condition is no less indispensable—they have the courage to turn their victory to account, the two main power centres outside America will be London and Moscow, with a possible third in the Far East as the tide of Japanese aggression recedes and the people of China advance to take the place which their population, resources and culture justify. The philosophy of the British and American groupings, and to a growing extent in such conditions of the Soviet, will be democratic. The principle of organisation will not be racial domination but the co-operation of free peoples under responsible leadership, in which the smaller peoples will have both the opportunity and the obligation to play a part often out of all proportion to their size

THE MORAL ELEMENT IN POWER

This contrast carries an important corollary. Systems of the Nazi type, quite apart from their inherent tendency to conflict with the outside world—itsself a major source of weakness—lack one of the most vital elements in modern power: the element of consent, the ability to command the active allegiance of those over whom power is exercised

This moral element in power, important as it was in the days of the national state, becomes paramount as the unit of power expands to include large heterogeneous groups, and the wielders of power can no longer rely on the sentiment of national patriotism to ensure allegiance. In such conditions allegiance can only be won in the long run by an attitude of give and take, by a political theory based on respect for the rights and interests

of individuals and groups, by a belief in power as a means to an end, namely, the general welfare, and not as an end in itself. To the totalitarian systems, with their contempt for all rights and their worship of power as an end in itself, these attitudes and beliefs must always remain alien. And though this deficiency may be compensated for a time by the use of the synthetic substitute known as propaganda, in the long run it is bound to reveal itself in a crescendo of unrest, sabotage and revolt, growing to the point at which it must wreck the entire power-machine.

In contrast the democratic peoples put a valuation on the moral element in power which, though in times of crisis it may appear to constitute an element of weakness, affords in the long run an incalculable addition to their strength. That valuation is the result of centuries of experience in democratic method and in dealings with other peoples. It is one which should not and will not be lightly revised.

II. BRITAIN'S ROLE IN EUROPE

If this analysis is correct, what are its implications for the future of Europe, and of British policy in Europe, when Nazi Germany has gone down in defeat? It is in Europe that the old power-system has most manifestly broken down, and the lessons of Hitlerism emerge most clearly. To Hitler, indeed, Europe will owe, as it owed to Napoleon, certain achievements of permanent value. He has succeeded in recreating the basis of European unity, although on lines very different from his aims. Some part of what he has done in building up economic and administrative unity in Europe, and in breaking down barriers, it will be neither desirable nor possible to undo. The issue is no longer *whether* Europe will move towards unity, but in what form and by what leadership.

That European unity implies Great Power leadership is clear. To conceive of it as a "spontaneous coming together" of the peoples, in virtue perhaps of some federal idea, is to miss one of the most glaring lessons of recent years. Time and again, in the absence of decisive leadership, the bad old habits of sovereignty, neutrality, or national animosity have triumphed in face of the most urgent crises. Failing Great Power leadership those habits will continue to triumph; nor can any regional groupings of smaller Powers, important as they may be

as subsidiaries in a wider system, be regarded as even remotely adequate substitutes in themselves for the leadership of Great Powers. The unity of Europe will be effected in one of two ways—either under German, or under British and Russian leadership

If Germany won the war it would be by German leadership in any case. Even when Germany is defeated the possibility of German leadership is not excluded. If a victorious Britain were once again to contract out of Europe and the U.S.S.R. were unwilling to take its place, then slowly but surely, as Germany recovered, the leadership of an impoverished and disunited Europe would pass again to Germany. An Allied victory will leave only one workable alternative—the unity of Europe, under British and Soviet leadership, with the full backing of the U.S.A. In this joint undertaking Britain has her special part to play, for these reasons

- (i) In her island position at the extremity of Europe and as the metropolis of a world-wide Commonwealth based on the oceans, Great Britain is the natural bridge between Europe and America and between Europe and the world at large—between Europe and the universal economic commonwealth. This is a function which is vital to the future well-being of Europe. It is one which, if only because of their geographical position, neither Germany nor even the U.S.S.R. acting in isolation can fulfil.
- (ii) By receiving on their shores the governments or leading representatives of the oppressed nations, in the fight against Hitlerism, the British people have in fact already accepted a position of moral leadership in Europe in war. It would be an act of renunciation amounting almost to betrayal to throw it aside in the peace.
- (iii) The British peoples have a principle of international organisation to offer Europe. Within the British Commonwealth they have evolved a system of free co-operation between independent nations under a leadership which offers full scope for the self-development of each separate nation on the basis of its own national traditions. This Britain can offer *mutatis mutandis* as a pattern for a commonwealth of Europe.

It cannot be too strongly emphasised, however, that even the attempt to achieve unity in Europe through British and Soviet leadership will depend absolutely for its success on the satisfaction of two major conditions—the settlement of Anglo-Soviet relations on a basis of mutual understanding far closer than has ever existed in the past, and the projection into the peace of the same unity of purpose between Britain and the rest of the English-speaking world both in America and the Dominions, which has manifested itself in war.

THE U.S.A. AND EUROPE

It is a vital American interest that there should emerge from this conflict and its aftermath a stable and prosperous Europe, integrated into the economic life of the world, and led by statesmen who share the fundamental beliefs and values of the American people. Such a Europe will emerge only if Britain, and through Britain America, plays a leading role in the settlement in Europe. And the British people will only have the strength to play that role if they and Europe with them can rely on American support, not merely in the period of immediate post-war reconstruction, but permanently and unquestionably.

The only question is how much support and in what form. As regards degree, there will be in peace as there has been in war a minimum by falling short of which the Americans will in the end involve themselves in more trouble, expense and risk than if they had afforded what was necessary in the first place.

The form of support will again in peace as in war be not so much man-power—for given a sound European policy the man-power resources available to Britain, the U.S.S.R. and their Allies should be ample for the policing of Europe—but the materials and technical resources for reconstructing and developing Europe, and a statesmanlike policy in the financing of them.

The British Commonwealth and the U.S.A. between them command a vital proportion of the world's total productive power and resources. Such is their power that a secondary failure to adjust and harmonise their economic policies in some particular may bring ruin to millions in Europe or elsewhere; while their success in evolving new social and economic forms to meet the needs of a changing technical environment could mean the opening up of a new period in the economic

life of man. There will thus fall upon them an immense responsibility to make a success of their economic relations with each other and with Europe. For either to attempt to shirk that responsibility, by a reversion to the isolationism of the past, or by a projection into the post-war world of such obsolete doctrines as those which the world associates with the names of Ottawa and Hawley-Smoot, would be little short of a catastrophe for the whole of Western civilisation.

THE DOMINIONS AND BRITAIN'S ROLE IN EUROPE

In this connection a further point arises. It is sometimes argued that a more active British policy in Europe would conflict with the demands of the Imperial connection, as if Britain's roles in the British Commonwealth and in a Commonwealth of Europe were in some way mutually exclusive. The contrary is the case. In this dual role Britain will act as a bridge between the Dominions and a revived and more prosperous Europe. It is true that Britain's new position in Europe will call for commitments on the Dominions' part, but those commitments will be fully repaid by the new stability and prosperity in Europe which they will help to create. The cost to the Dominions of another British withdrawal from Europe would in the long run be incalculably more onerous.

It is true, too, that the Dominions may be asked for sacrifices of immediate economic advantages in the interests of revived trade in Europe as elsewhere, but those sacrifices would soon be forgotten in face of the new and expanding opportunities opened up for the Dominions by a European economy based on rising standards of living.

As in war, so in peace, the British effort in Europe cannot be the exclusive concern of the Mother Country. It will be a common undertaking by all of the British nations to help create in Europe a Commonwealth after a pattern of their own designing.

ANGLO-SOVIET RELATIONS—THE GREAT OPPORTUNITY

The future of Anglo-Soviet relations calls for closer analysis. The radical change in those relations which the war is bringing about may well prove to be one of its most far-reaching results. To say the least, it will create a political basis for the peace-settlement far more hopeful than that which existed after 1918,

when the Russian place at the conference-table was empty, the Soviet regime regarded as an outcast, and its policy and that of the Allies was in more or less open conflict.

But there is more at stake than the failure or success of a peace conference. The Socialist experiment in the U.S.S.R. is still in its infancy. What in a bare twenty years it has already achieved has been revealed to the world by the extraordinary events of the war in the East. Given its population of 190 millions increasing at the rate of over two millions every year; given the all but inexhaustible resources of almost every raw material within its borders, the vast open frontiers of the Asian hinterland with their immense possibilities of development, and the new aptitude for mechanised civilization which the Soviet regime has implanted in the Russian people, what may Soviet Russia not achieve in another twenty years of peace? The first years of peace, it is true, will be years of hardship, struggle and discipline for the Russian people, and for a decade or more all their energies will be devoted to making good the appalling devastation of war. But once the threads of industrial progress have been picked up again, the time may not be distant when Soviet Russia will attain a level of prosperity, power and cultural development rivalled in the whole world only by that of the U.S.A.

The kind of relations then existing between this emergent colossus and the English-speaking world, the breadth and vitality of their culture contacts, will count for much in the future course of history; and the opportunity is now. For the attitudes which will for many years to come govern Soviet policy towards the rest of the world, and particularly the English-speaking world, will be largely determined by what Britain and America have done or failed to do in the hour of Russia's crisis.

THE BASIS OF A POST-WAR AGREEMENT

In the immediate post-war years the overriding interest of the Soviet regime will be security, to repair the devastation of war and return to the interrupted task of building up a Socialist civilisation within the borders of the U.S.S.R. To obtain this security, Soviet policy in Europe will seek to ensure two things: security against renewed attack by Germany, and the maintenance of a stable order on the continent of Europe as a

whole. On both these fundamental issues there will exist a common interest between the U.S.S.R. and the Western Powers upon which a common policy can be built.

As regards security against Germany, the broad outlines of a common policy are already laid down in the Atlantic Charter, with its provision for the unilateral disarmament of Germany. The detailed execution of this policy in Eastern Europe will prove easy to the extent that the Soviet Government is satisfied with the effectiveness of its more general provisions. Russian tendency to expand westwards in the past has been dictated by the need to find more defensible strategic frontiers against the threat of encroachment by powerful neighbours from the West. With that threat removed, the settlement of Russia's Western frontier should not prove an intractable problem, and measures which the Soviet Government may seek to take to reinforce the general system, such as frontier adjustments and perhaps also the leasing of bases on the model of the Anglo-American arrangement, should not prove incompatible with the interests and ideals of the Western Powers.

At the same time it is to be hoped that the Soviet Government will continue to pursue the policy which they have recently embarked upon in their dealings with the Czechoslovak and other neighbouring Governments, and which Britain has traditionally pursued in Western Europe, of encouraging the growth of strong friendly independent states on their frontiers, rather than attempting to secure strategic outposts by the domination of unwilling peoples. If this policy were in due course extended by a generous settlement with Finland and perhaps Rumania, there would be established a chain of friendly border states from Arctic to Mediterranean as an outwork of Soviet defence against the possible revival of the German menace. By contributing, in common with Britain, to the social and economic development of these countries, particularly in the sphere of agrarian reform, and by concerting defence measures with them such as the supply of arms and materials on Lease-Lend terms in case of threatened aggression, the U.S.S.R. could provide itself with a westward security zone all the more effective because it would be based on the friendly co-operation of free peoples and would entail no dangers of friction with public opinion in the English-speaking world.

In much of this area, and particularly in Slav countries whose peoples are bound to Soviet Russia by ties of sentiment and interest, it is natural that the Soviet Government should wish to exercise a leading influence. Its economic rehabilitation after the ravages of war could provide an important opportunity for joint action by the U.S.S.R. and the West on a task which the U.S.S.R. may well be too weakened for a time to undertake singlehanded. It has been the economic backwardness and instability of this area which has mainly contributed to its continuance as a zone of political insecurity and conflict between the Great Powers. A joint reconstruction and development policy designed to secure the welfare of the inhabitants themselves would be a powerful contribution to the political stability of the area as well as an additional means of developing Anglo-Soviet collaboration.

SOVIET INTEREST IN A STABLE EUROPE

As regards the rest of Europe, the stability which it will be a vital Soviet interest to ensure is most likely to emerge from a European settlement in which Britain plays a leading role. The U.S.S.R., especially after the part she will have played in the destruction of Hitlerism, will exercise a powerful moral influence over the masses in Europe as a whole; but her chief preoccupation for some years to come will be with the reconstruction and development of her own territories. The physical needs of Europe in this period must be supplied from the West, and not from the U.S.S.R., which will itself be a deficiency area. For these reasons, and always supposing that Anglo-Soviet relations remain on a basis of mutual confidence, the U.S.S.R. may be expected to regard the acceptance by Britain of her full share in the leadership of Europe as a more effective means of ensuring stability in Europe as a whole than any attempt to impose leadership from the East alone. But there is one important proviso, namely that British participation is effective and leads to success in the joint task of creating a stable order in Europe.

THE IDEOLOGICAL PROBLEM

In the field of culture and ideas the issues are more complex. Between the Anglo-Saxon and the Soviet way of life there exist differences of a fundamental kind, by no means all of

which date only from the Bolshevik revolution. They are differences which the war is doing much to diminish on the Russian side by encouraging the shift of emphasis from the world revolutionary to the Russian nationalist ideal, by the progressive breaking down of Soviet isolationism, and by the stimulation of new and more liberal forces within the Soviet regime, on the British side by the breaking down of class barriers and by an increasing adoption of planned institutions and methods of which Soviet Russia was the pioneer.

Yet the divergences will remain, and the future of Anglo-Soviet relations will best be served not by hypocritical attempts to cover them up but by a readiness to face them squarely. Such divergences are dangerous only if they give rise to fear. In the past it was fear which caused the mischief in Anglo-Soviet relations: fear on the Russian side of a "capitalist" combination to encircle the home of the Socialist revolution, fear on the British side of the use of the revolutionary idea by the Soviet regime as a weapon of international power and as a means of subversion in Britain itself.

These fears have got to be finally scotched. Something can and must be done to this end by means of mutual undertakings of non-interference. But the problem goes deeper. Russian fears may be expected to subside as Anglo-Saxon collaboration with Russia becomes effective and leads to the permanent elimination of German military power. British fears call for different treatment. They sprang, in the last resort, from lack of self-confidence and of conviction in the positive value of the British order of society. The British people will outlive their fears to the extent that they succeed in evolving out of the war a form of society and a way of life which they themselves can believe in with conviction, and which they can offer to Europe and the world as a convincing alternative to other systems. Armed with such an alternative the British people will have nothing to fear from the rival attractions of the Soviet system either at home or in Europe. More than that, they will then feel free to import into their own society much that is new and valuable in Soviet civilisation, and they may justifiably hope in their turn to exert a corresponding influence on Soviet society.

EUROPEAN UNITY: BASIC PRINCIPLES

Assuming satisfactory relations with the U.S.A. and the U.S.S.R., what other basic conditions must Britain fulfil to play a leading role in the evolution of European unity? Here the failure of the last great experiment in international reconstruction may provide some useful lessons for the next. Amongst the many reasons for the failure of the League of Nations, five stand out as throwing important light on the future.

First, the League was designed to be world-wide in scope. European unity will have more chance of success because its political scope will centre round a limited geographical area.

Secondly, the League was based on a false estimate of America's willingness to participate. Preoccupied as they were with the purely political problems of peacemaking, the statesmen of Europe demanded American help in just that form in which America was least willing to give it, namely, political and military guarantees. The result was that sudden and unforeseen withdrawal of America which crippled the new experiment at birth. The future European system must be based on a more far-sighted estimate of the character and degree of American co-operation upon which it can permanently rely.

Thirdly, the League suffered throughout from divided leadership. The two potential leaders of Europe, France and Britain, were continually at cross-purposes on fundamental issues; and British governments might justly be accused of having stood in the way of French leadership without accepting the logical implication of their policy by taking over the leadership themselves. This danger can be avoided in the future European system by a clear understanding between Britain and the U.S.S.R. on their joint responsibility from the start.

Fourthly, the Allies of 1919 failed to realise that the success of the League absolutely required the maintenance, and, if necessary, the prompt use, of their own military predominance, not just for a few years, but until the potentially peace-breaking Powers had abandoned all hope of challenging it and had finally accepted the new system. The League covenant contained an exhortation to all-round disarmament from the outset, which encouraged Germany in the hope of eventual parity, and ended in the actual reversal of Allied predominance by the rearming of an embittered and revengeful Germany. Against

the repetition of this mistake the Allies of this war have already committed themselves in the Atlantic Charter. This commitment must on no account be allowed to lapse. For the United Nations once again to allow their predominance to slip from their grasp, in the misguided hope of thereby placating Germany, would be totally contrary to the interests of Europe and indeed of the German people themselves. Other ways must be found of rendering the new Europe acceptable to the German people.

Finally, the League provided in a totally inadequate degree for the international social and economic measures and institutions which are the mortar and cement of community-building. The result was a crescendo of economic anarchy and in particular a dangerous failure to reintegrate Germany into the economic life of Europe on terms consistent with the interests of Europe as a whole, which left the Germans to thrust themselves in on their own terms. The reconstruction of the economic life of Europe in a new and more workable system effectively integrated with the economic life of the world as a whole, and the creation of workable institutions for the purpose, must be in the forefront of the plans for Europe's future.

The task of building European unity can thus be seen as consisting of two parallel processes. The first is the establishment by the United Nations of a permanent ascendancy over the aggressors. This will provide the framework of order and security within which the new Europe can begin to grow. The second process, to be worked out simultaneously with the first, will be the reconstruction and development of European life in the direction of a social, economic and cultural community which all its citizens have a common interest in maintaining and furthering, and to which all of them, Germans and Italians equally with Danes, Dutchmen, Spaniards and Englishmen, will eventually come to feel a loyalty commensurate with their loyalty to their own countries.

SECURITY AND POLICING

The object of United Nations security policy in Europe must be to secure such unquestioned military predominance over Germany that all hope of challenging it disappears and the German people inwardly as well as outwardly accept a state of affairs in Europe in which their need for national self-

expression no longer takes the form of military expansion and domination. Then and only then will the European Commonwealth become a completed reality, in which the problem of security becomes one, not of security against Germany, but of policing proper.

Until that time the victors must remain armed. It should be emphasised, however, that the level of their armaments, though relatively overwhelming, need not be absolutely so high as to justify the fear that it would impede their economic recovery. Victory in the field itself has far-reaching effects on the relative strength of the combatants, particularly under modern conditions of warfare. It offers the victors the chance to exploit their victory systematically, and provided they do so, and concentrate on technical proficiency and the intensive development of the most modern striking weapons, they will quickly be in a position to effect a substantial reduction in their own general level of armaments.

But the methods of securing their predominance *must* be based on a thorough analysis of the constituents of modern military power.

In addition to such obvious measures as the complete occupation of enemy territory (which will in any case be necessary to maintain order and ensure the elimination of the totalitarian regimes) and disarmament, which must be enforced by continuous inspection linked to a system of sanctions, security policy towards Germany must cover:

- (i) *Industrial potential.* One possible line of thought may be suggested on this subject. The war strength of Germany, as of any Power, rests largely on the centralised control of its potential war industries. It so happens that some of the principal industrial areas of the Reich lie on its frontiers, for example the Rhineland and Silesian systems. Geographically and technically, the natural affinities of these systems are with complementary systems beyond the original borders of the Reich, in Belgium and Luxemburg or in Poland; and the centralisation of their control in Berlin is in a sense artificial:

The overrunning by Germany of neighbouring states has to a large extent broken down the barriers created within these systems by the old frontiers, and

enabled the Germans to develop them as unitary systems, though of course maintaining the final controls in Berlin. It might well prove feasible, in planning the reconstruction of these areas which war devastation will in any case render necessary, to maintain and develop their character as areas of unified administration, at the same time eliminating the centralised control from Berlin and substituting for it a system of autonomous regional commissions of a public international character. This would effect an important modification of Germany's war potential without undermining the prosperity of some of its principal industrial areas, and be a blow at the power of some of the German industrialists whose league with the *Reichswehr* and the Nazis has had such terrible consequences for Europe.

- (ii) *Raw material controls* The peacemakers must not forget that the stocks of raw materials with which Germany and Japan built up their war strength and almost crushed Britain were largely derived from sources under the control of their intended victims. Both countries are almost or entirely deficient in a great majority of the vital materials of war, while the Anglo-American-Soviet combination have within their joint control enough and more of almost all of them. This fact alone could be decisive in ensuring that in the future no intending aggressor should be able to accumulate large stocks of vital raw materials for purposes of aggression. How this end could be achieved by a system of raw-material controls, which would at the same time secure the exploitation of the earth's raw material resources in the interests of rising standards of living, is more fully discussed in the chapter on "Commodity Controls."

- (iii) *Military personnel* Not the least of the causes of the present war was the failure both of the Allied authorities and of the leaders of the Weimar Republic after 1919 to undermine the power and prestige of the officer caste in Germany, and it was this caste which not merely formed the nucleus of the new German army but played an important part in the rise of the Nazi Party.

The second defeat of the German army will doubtless do much to undermine the prestige of this caste in the future, and in any case its character and composition has greatly changed in recent years. The *corps d'élite* of shock troops on land and air are predominantly Nazi and will suffer eclipse with the disappearance of Nazism. But the danger will not be entirely at an end. The solution lies along two lines; first, in encouraging the creation of what the Weimar leaders failed to create—a genuine citizen force based on Home Guard principles, which would be the sole military force in Germany and would remove the *raison d'être* of the officer caste. Elements in this force would at some stage moreover be associated with any international arrangements for the policing of Europe which may then exist. Secondly, the integration of Germany into the economic, social and cultural life of Europe must be such that ample outlets exist for the type of adventurousness and administrative talent which has hitherto found its career in the German officer caste.

- (iv) *Inter-allied arrangements.* One of the most glaring lessons of the present war has been its revelation of the drastic change in the balance of power which has resulted from modern developments in technique in favour of the large and highly industrialised Powers. One small Power after another, despite the expenditure over recent years of crippling proportions of its national income in preparation for war, has had, when the time came, to face the German Panzer divisions and Luftwaffe with an equipment of ill-assorted and out-of-date infantry weapons and a few old aircraft; and even where the Anglo-Saxon Powers had the surplus material available, the difficulty of replacing or supplying parts for obsolete material, the long distances over which it had to be transported, and the lack of pre-conceived plans, ensured that Anglo-Saxon aid would again and again prove too late and too little.

A solution for the future may be found in the extension of the Lease-Lend principle as the permanent basis of relations between Britain and the U.S.S.R. on the one hand and their European Allies on the other.

It would be Britain's and Russia's responsibility to supply and maintain, at a number of strategic reserve bases on the peripheries of Europe, substantial stocks of all the most up-to-date military weapons, aircraft and war materials on a standardised pattern, which, in case of a threat of aggression at any point, would permit the rushing up of first line materials at a moment's notice to the threatened point. Such a scheme would at the same time eliminate those areas of weakness which have proved so fatal in Europe in the present war, and save the smaller Powers the crippling burden of armaments expenditure which frustrated their economic development or drove them in the years before the war into the economic clutches of Germany.

It might be hoped that in return for such arrangements the small Allies would be willing, on the analogy of the destroyer-bases deal between Britain and the U.S.A., to put at the disposal of Britain and the U.S.S.R. by lease or other arrangements, sea and air bases at vital points.

The policing of the seas must be organised on a world-wide rather than a European scale. It is natural to assume that in view of American interest in the freedom of the seas and recent developments in American naval policy, the U.S. navy will play its full role in the policing of the world's sea-routes, though it may be expected that Britain and Russian sea-power, together with that of the French, will play the leading part in policing European waters.

BUILDING A EUROPEAN COMMUNITY

Security measures will provide only the bare bones of the new Europe. Without flesh and blood they will prove as ephemeral as every system founded on repression. To give the new Europe the flesh and blood which alone can make it a lasting reality, the peace-makers must set out consciously and boldly to build a European Community, into which the national communities will slowly merge.

That means the creation of new social and economic patterns which will offer to the individual men and women of each people, victor, vanquished and neutral, an equal basis of security and opportunity. It means the injection of new life

into the values and traditions which are the common heritage of European civilisation, and the fostering of interests and institutions old and new, which transcend the boundaries of the national state, and last but not least it means the gradual building up of a European *élite* from individuals of every country who can take positions of responsibility in every branch of European life

These are the broad objectives. What are the methods and mechanisms by which they can be achieved? In the first stage they will consist of a programme of first-aid relief, for the execution of which the necessary organisations and plans are already in being. What is important at this stage is that the plans should be drawn up, and executed, not on a purely *ad hoc* short-term basis, but as integrated parts of a general and long-term plan, related to a clearly formulated pattern of the future Europe.

The second stage will be the development of a new, more coherent economic and social system in Europe. On the economic side two principles should be paramount: the system should be directed to a clear objective, namely, the welfare of the peoples of Europe and the progressive raising of their living standards; and the use of Europe's resources in working towards that end should be planned by some single European planning authority for Europe as a whole, and planned not on a year-to-year basis, as the practices of national budgeting have dictated in the past, but for five or ten year periods at a time. This does not mean that every detail in the economic life of Europe need be rigidly controlled by a vast bureaucratic machine. It does mean that the general direction of economic activity should be controlled, and that the planning authority should have sufficient powers and inducements at its disposal to effect such control.

On the social side the problem of restoring order out of the disintegration following the collapse of Hitlerism will be urgent. There may well be need in the early stages, in order to prevent complete social disintegration, to improvise emergency institutions of a new and simpler type, such as those evolved in Britain to meet the needs of bombed areas. Out of these might grow new social forms which would be of lasting value in European life. For the rest, the key to the restoration of social stability will be the rebuilding and development in new forms

of those cultural and other institutions and associations which are the life-blood of a free community, but have been persecuted or suppressed by totalitarian Germany—universities, churches, trade unions, co-operatives, professional organisations, the free Press and Radio. Here the British people, with long experience of the value of these institutions in the life of the community, will have a great opportunity for moral leadership, while some of the smaller European nations amongst whom free institutions have reached their fullest maturity (the co-operative movements in the Scandinavian countries may be quoted as an example) will have a vitally important contribution to make.

Closely linked with the rebuilding of institutions is the gradual development of individual leaders in every sphere. In the early stages British, American and Soviet personnel are bound to play a leading part, but a start should also be made at once to place carefully picked and competent individuals from allied nations in key administrative positions, e.g., on skeleton staffs in European Reconstruction organisations, with a view to building up a *European élite*. Here the emphasis must be on individuals, not governments. For in a Europe which is functioning as a community the individual leaders of industries, trade unions, universities and other vital institutions must be at least as important as those of regional governments. It is clear that in such a process the universities of Europe—which inherit the tradition of European unity—must play a central role. It would be important to set up at the same time, perhaps linked to the universities as centres of post-graduate training and research, one or more special European Staff Colleges for the training of Europe's key administrative personnel.

It is necessary in this connection to stress the part which should be allotted in the task of community building in Europe to individual Germans. The German people are bound to remain the most numerous as well as in many respects the most highly trained in Europe (outside Russia). Any attempt to build unity in Europe in face of the continued opposition of the German people would contain the seeds of failure. The test of a durable settlement will be its success in assimilating the German people into the life of the European community on terms which the peoples of Europe can accept. Conceived in terms of Germany and the rights of the German nation, this problem would certainly prove as intractable as in the years

after 1918. It must be thought of in terms of finding for Germans, and particularly for the younger generation of Germans, the outlets which will employ their talents and energies for the benefit of Europe and not for its domination and destruction. From this it follows that picked individual Germans must at an early stage be admitted to the joint effort of reconstruction.

EUROPEAN MACHINERY

It has been the characteristic vice of much recent discussion of Europe's future that it has concentrated on questions of political machinery while losing sight of the two essentials of community building—the source of effective power and leadership; and the development of organs of economic and social administration.

The former question has already been discussed. The latter is one which must be tackled empirically. Bodies should be formed, and will in some cases develop naturally out of the needs of the immediate relief period, to handle specific European problems, and services, such as civil aviation, land transport, epidemic control; as well as more general problems such as industrial reconstruction, the development of backward areas in Europe, and the protection of minorities.

Certain conditions can be laid down to which these institutions should conform. They should not be mere appendages of Government offices, but autonomous agencies, such as the I.L.O. or the Universal Postal Union. Their personnel should not be exclusively or even mainly representative either at the administrative or at the policy-making level, but should include a large proportion of public servants, selected solely for their technical or other qualifications. In order that they should be free from detailed financial control by Governments, their finances should be on a generous scale, and should be in the form of block grants, estimated roughly on the basis of capacity to pay; and they should be allowed wide powers of independent initiation. They would operate under the general direction of whatever authority is charged with the long-term planning of the European economy. At all stages they would work in close contact with the I.L.O., the world commodity controls, and any other world organisations which may emerge from the co-operation of the leading Powers.

The more effective these economic institutions, the less para-

mount will become the purely political organs of power in Europe. Organs of political co-operation will clearly be necessary, however, to provide a meeting-place for statesmen, a clearing-house for political problems and a focus for political action. The approach should again be empirical and based on the experience of the British Commonwealth which, it should be noted, is not federal, does not possess either supreme executive or supreme legislature, and the constitution for which was not the origin but the end-product of the British experiment in free partnership.

For this European Political Authority no elaborate written covenants are required. All that is needed is a European Conference held regularly and at frequent intervals, the regular attendance of Foreign Ministers, a strong permanent secretariat; and a regular meeting-place. Its authority will in the last resort depend not on any ingenuity of mechanism, but on the harmony and clarity of purpose of its leading members, and above all of the U.S.S.R. and Britain.

CAN BRITAIN DO THE JOB?

One thing above all must be clear. The acceptance by Britain of a leading position in Europe means the acceptance of responsibilities on a scale we have hardly begun to realise. It is not merely a question of keeping an army and air force in Europe perhaps for years to come—which may well entail the continuance of conscription at home and of the great Empire air-training effort in the Dominions; it is not merely a question of finding and training up the administrative personnel needed for the job. It is a question of effecting a revolutionary change in our whole outlook and way of life. First, there has got to be a new attitude towards Europe both among statesmen and people. Only those statesmen can be leaders in Europe who look at things through European and not through parochial eyes, and are prepared to sacrifice what appear to be their own immediate national interests when they conflict with the true interests of Europe, for only when we thus recognise our duties to Europe as well as our rights can we expect other peoples to do the same; and Britain will only command lasting support in Europe so long as the national purposes which engage the patriotism of the British people are identified with the purposes of Europe at large. Nor can we expect such an atti-

tude amongst the British people without an intensive development of British education in foreign affairs, which ensures that the British people regard the problems of Europe with a more informed and realistic view.

Secondly, remembering that the only lasting leadership is leadership by example, we have got to set our own house in order, and at the same time to work out for ourselves and for Europe a new and more satisfying social philosophy than anything we have had to offer in the past. Britain will retain her position in Europe just so long as the progressive forces and forward-looking people in Europe look to Britain for leadership, and see Britain getting results.

Can Britain do the job? Britain and the nations of the Commonwealth possess, within their world-wide frontiers, all the necessary knowledge, experience, technique, and, with the help of America, the necessary material resources. Have they the moral resources—the will?

The almost miraculous welling-up of courage and enthusiasm in the people of Britain and the Dominions at moments of crisis in this war—after Dunkirk, through the bombing of London—can leave no doubt of the answer. Potentially, the reserves of moral energy and will in Britain and the Commonwealth are enormous. But if they are to be realised, the people have got to be given a clear and courageous lead, which engages their patriotism as deeply in the job of winning the peace as it is to-day engaged in winning the war.

What is equally certain is that if we shrink from the opportunity we shall pay for it—perhaps in another twenty years.

CHAPTER II

BRITAIN AND THE U S S R

June 21st, 1941, was a great landmark in the history of the world and of Anglo-Soviet relations. On that day the Nazis rolled across the frontiers of the Soviet Union, fresh from their triumphs in Western Europe, they expected easy victory. But the Nazis, not to mention many people in other countries, proved wrong in their estimate of the Soviet power of resistance. Ever since the aggressors were halted before Moscow, the world has received almost daily evidence of the fighting strength, technical skill and magnificent staying power of the Soviet people. The admiration of the British people for their Soviet allies has grown steadily. This admiration and the Russian realisation that Britain was its first comrade-in-arms will itself be mighty factors in the future relations of our two countries.

War has thus been the bearer of an historic opportunity. By uniting the peoples of Britain and the U S S R in arms against him, Hitler has presented them with an opportunity of working out their relations with each other anew under the stress of common danger which no peace-time situation could have offered, and which they have an immense responsibility before the world to turn to good account. That the future of Anglo-Soviet relations will be of paramount importance for Europe and the world at large is too obvious to need emphasis. It is not always so obvious in what their importance consists; and this is a matter which calls for some analysis.

It has frequently been pointed out that the absence of Russia from the council tables of Versailles in 1919 was one of the principal reasons for the failure of the Versailles settlement; and the fact that for more than a decade after the settlement Soviet policy and that of the Allies were not in harmony with each other was undoubtedly one of the major causes of instability in Europe throughout the post-war period and of the renewal of armed conflict in September 1939.

The disharmony which was so disastrous after the last war would be even more disastrous after this. The advance in technical civilization has now reached a point where it has

radically changed the whole basis of power in the modern world, and particularly in Europe. The exercise of effective power under the new conditions demands a combination of resources—military, economic and moral—such as only a bare handful of the greatest world Powers can command. At the time of the defeat of Germany there will remain only two great Powers in Europe: Great Britain and the U.S.S.R.; that any attempt such as Britain embarked upon after Versailles to revive the balance of power in Europe, by allowing and even encouraging the revival of a strong military Germany in the hopes that other centres of power would remain as a counterweight to Germany, are foredoomed to failure and disaster; that the permanent elimination of Germany as a strong military power (though not of the Germans as a great people with an essential economic and cultural role to play in Europe) has become a *sine qua non* of lasting peace in Europe; and that therefore the responsibility for creating and maintaining a peaceful settlement in Europe will devolve primarily upon Great Britain and the U.S.S.R. This does not mean that Britain and the U.S.S.R. must dominate Europe as the Nazis would dominate Europe if they were victorious, and ride roughshod over the hopes and wills of the European peoples. On the contrary, the only form of European settlement which can endure is one which is based on the active assent and co-operation of all the European peoples, in which the common interest and the common sense of justice and not the arbitrary wish of a dominant minority is the determinant of policy, and in which the smaller peoples can play a part often out of all proportion to their numbers. It does mean that the peace and prosperity of Europe will turn more than ever before on the policies of Great Britain and the U.S.S.R. and on their success in working out a new and durable basis for their relations with each other and with the peoples of Europe.

SOVIET ACHIEVEMENT

There is a further point. The Socialist civilization which is being built up in the U.S.S.R. is to-day still in its infancy. What in a bare twenty years of planned industrialization—the most rapid and gigantic enterprise of its kind that the world has ever seen—that system has achieved has already been revealed to an astonished world by the results of Nazi

aggression against the Soviet Union. Given its population of 190 millions increasing at the rate of over 2 millions a year, given the all but inexhaustible resources of almost every important raw material within its borders, the vast 'open frontiers' of its Asian hinterland with their untold possibilities of development, and the new aptitude for mechanized civilization which the Soviet regime has developed in the Russian people – given these vast reservoirs of power and opportunity, what may not Soviet Russia achieve in another two or three decades?

The first years of peace, it is true, will be years of hardship, struggle and discipline for the Soviet people, and for some years their energies may have to be devoted to the task of making good the appalling devastation of war. But once the threads of industrial progress have been picked up again, the time may not be distant when Soviet Russia will attain a level of prosperity, power and cultural development rivalled in the whole world only by that of the United States of America. The kind of relations then existing between this emergent colossus and the English-speaking world, the breadth and vitality of their contacts over the whole range of human activities, will surely be one of the major determinants for good or ill in the course of history. And the opportunity is now. For just as, after the last war, the attitude of the new Russia towards the English-speaking world was profoundly affected by the hostile intervention of Britain and the U.S.A. in the hour of Russia's revolutionary crisis, so now the attitudes which for many years to come will govern Soviet policy towards the English-speaking world will be largely determined by what Britain and the U.S.A. have done, or failed to do, in Russia's new hour of crisis.

The first step on the British side towards the working out of a lasting political partnership must be to clear away some of the haze of misconception and suspicion which exists about Soviet policy in this country and to see clearly the basic determinants which are likely to govern future Soviet policy. When the present Secretary of State for Foreign Affairs visited Moscow in 1935, a joint statement was issued from the Kremlin to the effect that there was no conflict of interests between the British Government and that of the Soviet Union. The significance of that statement at the time lay in its novelty. Ten years earlier it would have been very far from true. In other

words, Soviet policy had undergone an important change. Hitherto that change, and the change in the basic attitude of Soviet Russia to the outside world which underlay it, has never been properly understood in Britain. It has now become essential for the future of Anglo-Soviet relations that it should be understood. For only then can British misconceptions and suspicions begin to disappear and give place to that realistic grasp of the national interests of Soviet Russia which is the only sound basis for a permanent partnership.

The fundamental reason for this change of policy is to be found in the evolution of Soviet ideas and ideals in the 1920's in the light of a changing world situation. Put briefly it is as follows: when the Socialist experiment was first launched in the U.S.S.R., to the accompaniment of famine, civil war and intervention by the 'capitalist' Powers, its leaders were convinced that its only hope of survival lay in the spreading of the revolution to the territories of all the Great Powers of Europe and beyond. In other words, their slogan of 'world revolution' was no mere fanatic's dogma; it was based in Soviet eyes on the sheer necessity of survival and self-defence. It was the policy which enabled Trotsky to save at least a few shattered remnants of Russian power at Brest-Litovsk; it was the policy which, by stirring up the workers of Britain to resist the interventionist policy of the British Coalition Government, called a halt to the growing menace of Allied intervention. For almost ten years after the revolution, Trotsky's policy of world revolution, expressed through the Comintern, remained the first line of defence in Soviet security policy as well as the focus of missionary zeal amongst Russia's new leaders.

SOCIALISM IN A SINGLE COUNTRY

But as time passed and the Socialist experiment, surviving the menace of civil war and intervention, began to consolidate itself and make headway, a new policy emerged. It became known as the policy of 'Socialism in a single country,' and its leading advocate amongst the Soviet leaders was Josef Stalin. Briefly Stalin's thesis was that the expectations of world revolution had proved illusory; that the best hope for the future of Socialism lay in Russia itself, and that the Soviet people must devote all their energies and resources to the

industrial development of their own country till they could rely on their own strength for their security, the survival of their ideals, and the ultimate well-being and prosperity of the Russian people.

If the hopes of an extension to other countries of the ideals of Marxist socialism were not abandoned, the Soviet leaders came to rely less and less for their fulfilment on direct intervention from Moscow, which as they were coming to learn from bitter experience usually produced effects precisely contrary to those intended, and more and more on the force of example which a strong and successful Socialist Russia might be expected to exercise. Indeed, the evolution of Soviet policy in this respect might be compared to that which, over a longer period of time, took place in the British attitude towards parliamentary democracy. British policy in the nineteenth century, like Soviet policy in the Trotsky period, was at times one of direct intervention in European countries on behalf of the principles of Government for which Britain stood. To-day Britain, like Stalinist Russia, adopts an attitude of live-and-let-live. But Britain, like Soviet Russia, does not abandon the hope that by force of example her ideals and forms of government may yet come to be accepted by peoples who do not now possess them.

From 1924 onwards Stalin's thesis of 'Socialism in a single country' was vindicated by the increasingly obvious decrepitude of all the revolutionary movements outside Russia, culminating in the demise of Communism in Germany, the failure of the General Strike in Britain, and the suppression of the Communist rising in Southern China in 1927. The final abandonment of Trotsky's policy and its supersession by that of Stalin was marked by the launching in 1928 of the first Five-Year Plan which was the first big step in the working out of the Soviet programme of socialist industrialization 'within a single country'; and from then on Soviet foreign policy became more and more one of Russian national security, based on strategic, not ideological, considerations and conducted by normal diplomatic methods. The Comintern was reduced to a secondary role and became in fact a mere propaganda arm of Russian state policy, designed to maintain Soviet prestige and where necessary to weaken the potential enemies of Soviet Russia by fostering internal opposition.

Over a period of years the advocates of Trotsky's policy were eliminated, and their places taken by men who supported Stalin's idea of self-reliance through the industrialization and re-armament of the Soviet Union. The change which took place in Soviet policy at that time was thus fundamental to the whole development of Soviet society, and as such was largely irreversible. Nor has there been any important evidence, since it was made, of any attempt to reverse it. The fact that Soviet policy has on occasions, as in August 1939, not suited the interests of Britain, does not mean that it has on those occasions reverted to the old basis, but merely that such occasions demanded a temporary breathing-space for the consolidation of Soviet military power. Germany, not capitalism, had after 1933 become the real enemy, and the only problem was how to meet the German onslaught in the most favourable conditions possible.

The present conflict has had the effect of strongly confirming this realignment of policy. It has done so in two ways: first, because, by revealing that the U.S.S.R. had grown strong enough to stand up almost single-handed to the onslaught of the greatest military Power in history, it has amply vindicated Stalin's policy of 'Socialism in a single country'; secondly, because it has brought once more to the surface the underlying patriotism of the Russian masses which had been partly inhibited by the universalist ideology of the revolutionary period but which, once released, must make its influence profoundly felt in Soviet policy for many years to come.

HOPE FOR THE FUTURE

These developments are of vital importance for the future of Anglo-Soviet relations. They mean that, in the absence of unforeseen blunders or disasters, those relations can henceforth be conducted from both sides on a straightforward basis of national interests in which each will be talking the same language as the other; more than that, they mean that, granted the corresponding changes of British attitudes and policies which the events of recent years and months have brought about, there is good hope not merely of avoiding the clash of purposes of the Versailles period, but of establishing a positive and fruitful harmony of purposes in the critical years ahead. For British policy, too, both at home and abroad, has changed

and is changing with increasing momentum as the impact of world war makes itself fully felt. In a word that change might be described as the passing away of the old capitalist imperialism of the nineteenth century and its replacement by a new more equalitarian, more humanistic, and at the same time more consciously planned type of democracy, entailing new attitudes and new policies towards the outside world. It is a change which has not yet by any means worked itself out; but it is already finding expression in such new policies as that which is now promised for India, and this in itself is symbolic of its implications for Britain's future relations with Soviet Russia, for British policy in India has long constituted a significant if not a fundamental obstacle to the improvement of Anglo-Soviet relations.

Given these convergent changes in the basic determinants of both British and Soviet policy, it is possible to understand more clearly the development of Anglo-Soviet relations since 1935 and the possibilities of the future. Not only is there no cause for conflict of interests—whether on territorial questions or in the way of competition for markets or sources of raw materials. There is a far-reaching and potentially fruitful community of interests, both in Europe and the world at large.

This conclusion is borne out by a closer analysis of Russia's basic interests in the present situation. After the war, as before it, Soviet Russia's overriding aim will be security—security to repair the devastation of war and return to the task of building up a Socialist civilization 'within a single state,' i.e. within the frontiers of the U S S R, with the ultimate aim not of imperialist expansionism, but of increasing the well-being and prosperity of the Russian people. This means first of all that Soviet Russia cannot tolerate the existence within striking distance of her frontiers, either in the East or the West, of any major military Power with potentially hostile intentions, that is (since Britain and the U S A are not and are not likely to be within effective striking range) of a strong Germany and a strong Japan. But it means more than that: it means that Soviet Russia has a strong positive interest in a sound and lasting political and economic settlement, both in West and East, for the simple reason that the stability and prosperity resulting from such a settlement will provide the best guarantee against the emergence of forces threatening Soviet security.

On both these fundamental issues there will exist a strong common interest between the U.S.S.R. and Britain upon which a common policy can be based.

SECURITY AGAINST GERMANY

As regards security against Germany, the broad outlines of a common policy have in fact already been laid down in the Atlantic Charter, with its provision for the unilateral disarmament of aggressors. The underlying principle of that provision is that Britain, like Russia, requires a militarily weak Germany, because Germany is now, thanks to the nature of modern warfare and the absence of any effective barrier to German power west of Russia, within immediate striking distance of Britain, and Britain like Russia cannot tolerate the existence of a major military power within striking distance. And if, in the interests of general European stability, Britain wishes to ensure for Germany such economic and other terms as will make possible her eventual reintegration in the life of Europe as a whole, such a policy need not encounter insuperable opposition from the Russians, provided they are satisfied that it is in the best interests of the security and stability of Europe as a whole.

In other words, agreement upon the implementation of a common policy towards Germany is closely bound up with the question of devising a stable settlement in Europe as a whole, and will prove easy just so far as the more general scheme proves satisfactory to Soviet Russia. It is at this point that the foregoing analysis of Soviet policy and its basic determinants becomes particularly germane, though the extent to which those determinants operate in the critical period after hostilities will of course in part depend upon the military situation at that time.

There are still those who believe that Soviet Russia in the hour of victory will resurrect her revolutionary slogans with a view to gaining control of the whole of Europe, or the greater part of it, and that this is her real, if undeclared, war aim. If the analysis of Soviet policy given above is correct, it follows that this is precisely the reverse of what the Soviet Government in fact desires; that in reality Russia will want after the war to devote her energies and attentions to her own affairs—to the repair of war devastation and the development of her own

resources on the basis of 'Socialism in a single country'. Add to this the fact that with the opening up of the Asian hinterland, which has been one of the outstanding developments of the present war, there will be an eastward shift in the Soviet focus of political interest and economic strength, and the conclusion which emerges is clear: granted adequate security against a resurgent Germany and granted also a recognition of her vital interests in Eastern Europe, Soviet Russia's main requirement of any general European settlement will be not that it shall assure to her and to her alone a dominating position in Europe, but that, on the contrary while ensuring that she is fully consulted on all major European issues, it shall relieve her of the necessity of any large-scale and continuous intervention in the affairs of Europe as a whole and thus leave her free to devote her energies to tasks nearer home.

But, and here is the important point, the Soviet Government can only afford to maintain such an attitude provided they can be certain that there is some stalutty and permanence in the new settlement for Europe, and they can only be certain of that if they are convinced that Britain, with effective American backing, is prepared to accept her full responsibilities in such a settlement, not merely for a few years, but permanently. They know that the physical needs of post-war Europe can be supplied from the West and the West only; and that this in itself will largely orient the future economic pattern of Europe towards the West. They know that Western Europe looks to the West for leadership. They therefore count on Britain to accept and maintain a position of leadership in Western Europe, and it is only when they see her ready to do so that they can safely turn their attention to those more urgent questions nearer home which are their real focus of interest.

It is by adopting a strong and positive line in Europe and by accepting her full responsibilities, both military, economic and moral, in the European settlement, that Britain is most likely to assist the development of Anglo-Soviet understanding; while a renewed attempt by Britain to shirk her responsibilities and revert to the isolationist policies of the past would be the surest way of reviving in Soviet Russia those subversive policies which have been the source of so much friction in the past.

RUSSIA AND EASTERN EUROPE

In Eastern Europe, where Soviet strategic security is directly involved, the Soviet Government will have a more direct interest. Here again, the extent of Soviet demands will depend on the nature of the general European settlement and the security it affords against Germany. Provided that settlement is satisfactory, Soviet requirements are not likely to be so extensive as to entail any basic conflict with the interests and ideals of the Western Powers.

Soviet Russia's requirements in this area are likely to be of two kinds. First she will seek certain frontier adjustments to strengthen her position against a possibly resurgent Germany. These will undoubtedly entail the reincorporation in the U.S.S.R. of the Baltic States, a territory which, under modern conditions, is no less vital to the security of the U.S.S.R. than Gibraltar to that of Britain or Panama to that of the U.S.A.; and Russia may well, unless the Finnish attitude to the war undergoes a radical change in the near future, call for serious frontier adjustments at Finland's expense. Neither of these issues should be allowed to stand in the way of Anglo-Soviet or of American-Soviet understanding.

As regards the Baltic States, it should be remembered that they had for centuries previously formed a part of Russia and that their achievement of complete independence after the last war was only rendered possible by a quite exceptional concatenation of circumstances which entailed the exclusion of both Germany and Russia from the council-tables of Europe. Their inclusion in the U.S.S.R. would, no doubt, carry with it the guarantee that the Soviet Government would apply their nationalities policy to the Baltic peoples no less generously than they have applied it to the numerous other racial groups of the Soviet Union.

The second main principle of Soviet security in Eastern Europe will be to encourage the development of strong and politically independent but friendly buffer states. This, rather than any attempt to annex or sovietize unwilling peoples, would seem to have been decided upon by the Soviet Government as the best means of providing an outer ring of strategic security. Some of these states, notably Czechoslovakia, will be bound to the U.S.S.R. by close military alliance; and Soviet influence will be strong in all Slav states.

Of the Far East, it need only be said that, assuming the ultimate inevitability of armed conflict between the U.S.S.R. and Japan, the Soviet Government will rightly expect to play an important role in the Far Eastern peace settlement, but that neither in their desire to ensure the future impotence of Japan—an objective which presumably falls within the scope of the provision in the Atlantic Charter relating to the unilateral disarmament of aggressors—nor in their general desire for stability and prosperity in the Far East, and particularly in China, are they likely to find that their interests conflict with those of the English-speaking Powers, while the reconstruction and development of China may well provide further scope for the co-operation of the U.S.S.R. and the English-speaking peoples with each other and with the people of China in a common constructive undertaking.

SEA-POWER

On the strategic plane there is one other question upon which Soviet and English-speaking interests can and must be brought into harmony—that of sea-power. The peoples of the U.S.S.R. and the English-speaking peoples look at sea-power from two different points of view; and that very difference should be a help rather than a hindrance to understanding. The Soviet attitude to sea-power is dictated by the peculiar nature of Russia's maritime communications with the outside world—the fact that her only access to warm waters is in inland seas, the Black Sea and the Baltic, whose outlets are within foreign territory. It follows that the chief aim of Soviet maritime policy is to establish naval supremacy in these inland waters and good relations with the Powers commanding their exits. The English-speaking peoples, on the other hand, whose strength lies in their world-wide communications, traditionally regard sea-power as the instrument for protecting those communications on the broad oceans. There is nothing in these differing viewpoints which need lead to a conflict of interest, always provided that in other respects relations are satisfactory. The English-speaking peoples have no cause to cavil at Soviet supremacy in these inland waters, and the U.S.S.R., so far from objecting to a settlement in which the navies of the English-speaking peoples undertake to police the sea highways of the world, is likely to welcome their accept-

ance of that responsibility—always provided it is exercised in the interests of humanity at large—as relieving the U.S.S.R. of the expense of maintaining a large navy of her own and affording an additional guarantee against the resurgence of Germany or Japan.

On economic matters also there is no reason for any fundamental conflict, whether in competition for sources of raw materials or in rivalry for markets, while there is immense scope for friendly trade and co-operation. In the matter of trade there is, as the war has revealed, extensive scope for the exchange of important raw materials between the two Powers. The U.S.S.R., though so largely self-contained, is still deficient in certain vital materials, such as copper, rubber, tin and nickel, which the British Commonwealth and the U.S.A. can conveniently supply, taking in exchange such commodities as timber, ferro-alloys, flax and hemp. Further, there will be a period after the war during which the U.S.S.R., in making good the appalling ravages of war, could greatly benefit by the import from the English-speaking countries of machinery and other capital equipment. Such imports would be of benefit both to the U.S.S.R. in speeding the work of reconstruction and shortening the period during which she must postpone the expansion of the consumption industries; and to the English-speaking peoples in helping to solve the problem of surplus capacity in their heavy industries which is already causing much anxiety, at any rate in the U.S.A.

Finally there will be the possibility, once the first stage of reconstruction in the U.S.S.R. itself has been completed, of large-scale co-operation between the two groups of Powers in the capital development of economically backward areas both in Europe and the Far East. Of these perhaps the most important will be South-Eastern Europe in the West and China in the East. Both are areas of joint concern to the two groups; both are areas whose economic underdevelopment in the past has been one of the main causes of political instability and whose continuance as zones of insecurity was a source of unrest and temptation to would-be aggressors. Both could, by a joint programme of planned development designed to raise standards of living and education, be turned into areas of economic health and political stability which would enable their peoples to make a positive and, in the case of China, a

highly important contribution to civilization; while the Soviet and the English-speaking peoples would develop a new sense of understanding by joint endeavour in a constructive undertaking.

DIFFERING IDEOLOGIES

There remains the most difficult problem of all in Anglo-Soviet relations, one which has in the past been the most fruitful source of friction and continues to this day to generate the suspicion which so much hampers the progress of Anglo-Soviet understanding—the problem of differing ‘ideologies’. Between the British and the Soviet way of life there exist differences of a fundamental kind—by no means all of them, incidentally, dating from the Bolshevik Revolution. They are differences which the war itself is doing much to diminish; on the Russian side by encouraging the shift of emphasis from the universalist revolutionary to the patriotic ideal, by the progressive breaking down of Soviet isolationism, and by the stimulation of new and more humanistic forces within the Soviet Regime; on the British side by the breaking down of class barriers and by an increasing readiness to adopt planned and collective methods and institutions of which Soviet Russia was the pioneer; while the similarity of methods in solving technical problems and the common respect for technical efficiency are leading to an increasing similarity in the patterns of social life, organization and ideals in the two countries. Yet the divergences will remain, and the future of Anglo-Soviet relations will best be served not by hypocritical attempts to cover them up but by a readiness to face them squarely. Such divergences are dangerous to good understanding only if they give rise to fear; and in the past it was fear which lay at the root of the mischief—fear on the Soviet side of a ‘capitalist’ combination to encircle and destroy the home of the socialist revolution; fear on the British side of the use of the revolutionary idea by the Soviet regime as a weapon of international power and even as a means of subversion in Britain itself.

These fears have got to be scotched. Something to this end can and must be done by mutual undertakings of non-interference; and much can be done by a better understanding amongst each of the two peoples of the ways of life and aspirations of the other. But the problem goes deeper—Soviet fears,

based as they are on suspicion of British intentions, will begin to subside to the extent that British policy reveals itself in action as sympathetic to the interests of the U.S.S.R.

British fears call for different treatment. They sprang, in the last resort, from lack of self-confidence and of conviction amongst the British people—and still more in recent years amongst the British ruling classes, whose surface complacency concealed a deep and growing inner uncertainty—as to the positive value of the British order of society and way of life. Of the truth of this statement the enthusiasm with which the British public has in the past greeted the achievements of the Soviet—while continuing to be largely apathetic towards their own—has been a significant if depressing vindication. The British people will outlive these fears to the extent that they succeed in evolving out of the war a form of society and a way of life which they themselves can believe in with conviction and enthusiasm, and which they can offer to Europe and the world as a convincing alternative to other systems. Armed with such an alternative and with the new confidence it will bring, Britain need have nothing to fear from the rival attractions of the Soviet system either at home or, what is just as important, on the continent of Europe, for it is on the continent of Europe that Britain's future will lie more than ever before. More than that, the British people, with their faith in themselves restored, will feel free to import into their own society much that is new and valuable in Soviet civilization; and they may justifiably hope in their turn, and by sheer force of example, to exert on Soviet society a corresponding influence in the direction of humanism and individual freedom. The difference of ideologies will then cease to be a source of conflict and become a matter of friendly rivalry in which each may hope by force of example to influence the other in working towards a common goal of human welfare.

Such are the problems and the possibilities of Anglo-Soviet relations in the next critical months and years. It is useless to suppose that the problems are easily overcome or the possibilities easily fulfilled. The suspicions and misunderstandings are strong and obstinate. Much will depend on the course of the war itself, which may put new and formidable obstacles in the way of understanding. Soviet policy and intentions are at all times surrounded in secrecy, and the difficulties of divining

them and the apparent ungraciousness with which our own advances are often met—an ungraciousness which is not always unreciprocated—may seem at times to give good ground for a policy of inaction. But the issues are so important for the future both of the British Commonwealth and of the whole world that inaction is no longer excusable. The time has come when exceptional efforts and the taking of exceptional risks are not only justified, they are required of us.

CHAPTER III

ANGLO-AMERICAN ECONOMIC POLICY

Nothing but a failure of the United Nations to make decisive use of their resources for the purpose could lose us this war. In the same way nothing but a failure of the United Nations to make effective use of their resources can lose us the next peace. Such a use of resources requires not only first-rate minds, but also first-rate wills. In peace as in war we must learn to recognise what are the strategic priorities on which success depends, and to see that those priorities are observed. We are told that at the time of the American Civil War Abraham Lincoln would ask, "What is Proposition Number One?" the answer being, "The Union must be preserved," and all action being subordinated to this overriding necessity. In the same way our Proposition Number One for victory and during the peace might well be that the United Nations must go on together. If that is Proposition Number One an indispensable condition for fulfilling it is the creation and continuous maintenance of joint Anglo-American action upon lines productive of results. Such action is not only a vital interest of Britain and the United States: it is equally a vital interest for the rest of the United Nations. The war effort demands that this joint action should be generally recognised as firmly and permanently established. The world requires some assurance, in the light of what happened last time, that Britain and the United States will not come through the war on the winning side only to lead everyone straight to an economic Pearl Harbour or a political Dunkirk. That is why we must think now, and think realistically, about the enduring pattern of Anglo-American economic relations. We must ask not only what we both want to achieve, but by what methods and by which human agencies it can be achieved, and at what sacrifices.

In the Atlantic Charter and in Article 7 of the Mutual Aid Agreement the two countries, the United States of America and Great Britain, have made a start towards establishing economic collaboration by defining the principles which should guide it. Such a beginning is of vital importance, not only to these powers and to the United Nations who signed the Charter, but to all

nations, for unless the greater powers are in agreement, long-term reconstruction will be almost impossible.

Anglo-American desire for a co-ordinated economic policy which will be in the interests of all nations is genuine, but although the two powers have the same objectives, the interplay of their individual fears may lead to difficulties over the methods by which these objectives are to be reached. The principles underlying their agreement are expressed in very general terms in the Atlantic Charter and the Mutual Aid Agreement. Unless steps are taken during the war to define policies, difficulties are almost bound to arise after the war. If concrete and agreed proposals are lacking, then the United Nations may pursue separate and possibly irreconcilable policies, and international co-operation may be stillborn.

A TRANSATLANTIC VIEW

It is easy to imagine some of the stresses to which this international co-operation might be subjected. The Soviet Union, with its great natural resources, might in the absence of a genuine co-operative spirit on the part of other countries, follow a nationalistic policy. Groups of smaller nations might be tempted to form their own oyster-like combinations.

Great Britain might adopt an unlimited policy of export promotion; "export or die" might become the banner under which Britain would fight for world markets. A pamphlet, published by the National Planning Association,* has shown how the prospects for Britain's post-war trade are, on any narrow view of the future, deteriorating. Foreign assets, worth £4,200,000,000 at the beginning of the war, have declined by more than a half. Even India would soon, it was anticipated, be a mighty creditor of the United Kingdom owing to its continued accumulation of sterling balances. The overseas countries which were formerly some of Britain's best buyers are being industrialised "at a revolutionary pace." Dominion steel capacity rose from 3,500,000 tons annually in 1938 to 6,000,000 tons in 1941, Australia is exporting shoes to India, the textile industry of the Argentine is expanding; a tin smelter has been constructed in Texas to

* 'Britain's Trade in the Post-War World' Planning Pamphlet No. 9, published by the N.P.A.

use Bolivian ore. Shipping services are likely to yield less foreign currency after the war.

The pamphlet rejects the expedients of Lend-Lease in perpetuity, of large-scale emigration and of bilateralism and exchange control. The acceptance by all nations of international economic collaboration as the cornerstone of policy is regarded as the condition of a real peace, based on freedom from want.

THE ONLY HOPE

Collaboration is, then, the only hope for the post-war world. It will not be easy. If, for instance, the United States still refuses after the war to accept its responsibilities as the world's chief creditor nation and if it continues to maintain tariff walls against goods which its debtors must export to pay their debts, then Britain may well be forced, however much against its will, to utilise some at least of the inhuman methods of trading. The severe dollar shortage which is likely to prevail in the sterling area after the war would, in those circumstances, force Britain to retain some form of exchange control. But if both nations devote themselves sincerely to collaboration, it will be possible to overcome difficulties and build a new world in which the four freedoms of the democratic peoples can flourish.

In the following pages the problems of co-operation between Britain and the United States are examined and, since future policy cannot avoid being partly conditioned by past aims and techniques, these are considered first. Any discussion on these lines is bound to accentuate differences, but if British and American policies are contrasted with the aims and methods of German economic policy the similarities between the two former will immediately be apparent. It is obvious that wide differences do exist, but if the whole range of choice between the two nations is examined, it will be seen that they have related, and do relate, to means rather than ends.

AMERICAN IDEAS AND METHODS

During the hundred years before the great depression of 1929-33, the commercial history of the United States was, in one sense, a reflection of the conflict of interests between agriculture and industry. The American home market did not absorb the whole output of agriculture; therefore planters and farmers had always sought high duties on imports of industrial

products. Industrialists, on the other hand, were anxious to keep out foreign manufactured goods in order to be able to supply an expanding home market, but wished to import essential raw materials free of duty. The victory of the industrial North in the Civil War was followed by a policy of high protection for industrial goods. This policy was continued, with a minor attempt at tariff reduction in 1913, until the first world war and reached its culminating point in the Fordney-McCumber tariff of 1922 and the Hawley-Smoot tariff of 1930. These two Acts pushed up the American tariff far above its pre-1914 level.

American tariff policy before the war of 1914-18 may have been justified in so far as it protected the country's industries against those of the more highly developed European countries. In that period, too, the United States was still a debtor nation. The Tariff Act of 1922 was the natural outcome of the American industrialists' fear that the new wartime industries would not in peacetime be able to withstand European competition and that other industries would suffer from exchange dumping from Europe where the currencies still showed great instability. These external factors were not, however, the only ones making for instability. There were others which were purely domestic. The United States is the only country which is of the first rank in both agriculture and industry. It therefore felt the full impact of the technological changes in both fields. Agricultural mechanisation brought to an end the era of prosperity for cash crop farming, thus forcing large numbers of people off the land. At the same time workers were being forced out of industry on a large scale by the development of mass production methods, without being able to fall back on the traditional solution of returning to the farm. The situation was aggravated by the fact that there was no system of social insurance.

These internal sources of economic instability, together with the external ones, gave United States' industry apparent justification in its demand for protection to deal with the enormous problems caused by the last war and by the development of mass production in the post-war period. The Hawley-Smoot tariff was no answer to these problems, for the root of the trouble lay in the decline in the internal market through unemployment and in the external market through the im-

poverty of nations which, not being allowed to sell, could not afford to buy. In passing this Act the United States Congress, in the view both of foreign observers and Americans themselves, took a step not only opposed to the country's own interests as one of the world's greatest creditor nations, but one which deepened the world depression and postponed the recovery of world trade by several years.

EXPANSION OF TRADE

Under the Roosevelt administration, the doctrine of trade commonly associated with the name of Mr. Cordell Hull, but which is very widely held in the United States, has come more and more into prominence. The direction of policy under this doctrine was not towards free trade, but towards an expansion of trade. It permitted only one form of interference with the flow of international trade, that is protective duties. These were to be moderate, subject to reduction, applied without discrimination, and multilateralised by the operation of the Most Favoured Nation clause.

The first step towards the implementation of this policy was the passing of the Trade Agreements Act of 1934. When the Anglo-American Trade Agreement of November, 1938, was signed, the United States had already concluded nineteen agreements under the Act of 1934. In order to stimulate the recovery of world trade, the concessions made in these agreements were passed on to other countries in accordance with the Most Favoured Nation principle; there were only two countries—Australia and Germany—which were held to have discriminated against American trade. By the time the Anglo-American Trade Agreement was reached, Australia had removed its discriminations and was restored to Most Favoured Nation status, so that Germany was the only country debarred from such benefits as the new direction of American trading policy might bring.

The change in American commercial policy after 1934 did not mean an abandonment of the protectionist policy traditionally pursued, for the agreements concluded under the 1934 Act did not result in any wholesale revision of the tariff, only in a reduction of rates on certain specific goods. The Hawley-Smoot tariff as such has never formally been repealed. Moreover, the operation of the Most Favoured Nation clause was

less effective in practice than on paper, for the commodities on which concessions were made were often so carefully chosen that the gain in tariff reduction accrued almost exclusively to the bargaining country. This was true of many of the agreements made before the Anglo-American agreement, particularly those made with Canada, Switzerland, and Belgium. Thus the stimulation and expansion of world trade, which was the declared objective behind the change of commercial policy in 1934, was still hindered by the use of methods calculated to perpetuate discrimination and by the continued refusal of the United States fully to accept its position as a creditor nation.

GERMANY'S WAR ECONOMY

German economy has long been planned and controlled to a far greater extent than that of Britain or of the U.S.A., but the aim of this planning was nationalist expansion and not international co-operation, except as a means towards the same end. Even under the Weimar Republic Germany had been driven to use totalitarian methods, some of which were forced upon her by reparations payments and by the Dawes and Young plans. The Government of the Third Reich intensified these methods, but for a different reason. The whole of German economic life, industry, domestic and foreign trade, was organised and controlled for one end—the building up of a centralised war economy and an invincible military machine. This would have been most easily achieved by the complete elimination of foreign trade, but certain quantities of foreign raw materials were essential. To obtain these on the most advantageous terms, German trade was reorientated as far as possible away from the economically strong countries towards the less advantageously situated primary producers.

In this trade Germany developed a variety of methods, including clearing and payments agreements, direct barter, private compensation deals, and subsidies. Buying was so organised that the Government could buy for the nation as a whole, and was therefore in an advantageous position to bargain with relatively unorganised countries such as the Balkan States. The Nazis offered prices well above world level for many Balkan products, and then, having bought these in bulk, proceeded to dump what they did not require themselves at half-price in free currency countries. The South-Eastern

European States were forced to accumulate mark balances within the Reich and grant Germany long-term credits by the export of their goods against deliveries of German industrial products at some uncertain future date. By these means Germany was largely successful in isolating South-Eastern Europe, even more than it had previously been, from the general flow of international trade by depriving it of both its selling and purchasing power in international markets. Thus it was reduced more and more to a field of colonial exploitation for the Reich.

In Latin America the procedure was similar, though aski marks (a form of depreciated currency) and direct barter were used, rather than clearing agreements. To their considerable embarrassment, the central banks of the Latin American States accumulated large aski mark balances, and Germany was able to secure supplies of raw materials in exchange for such industrial products as it was willing to export.

Although these particular trading practices, and the rigid control of industry and domestic and foreign trade generally, are associated with National Socialism, it must not be supposed that after the war Germany can return to a system of *laissez-faire*. Almost any German government is bound to retain a fairly rigid system of economic control, and it would be more realistic for Anglo-American policy to see that these controls work in harmony with international economic policy than to insist on their immediate abolition.

THE BRITISH ATTITUDE

In the period after the last war Britain, like the United States and Germany, had a very serious economic problem to solve. Firstly there was the maldistribution of labour and capital, too much of which was tied up in the extractive and older manufacturing industries. These industries depended very largely on foreign markets and when these markets contracted, the British heavy industrial and mining districts became depressed areas. Secondly, there was the problem of war debts. The British attempt to pay these off and the return to the gold standard in 1925 put an impossible strain on the old economic system. Such factors led Great Britain to adopt a series of expedients, some of which, such as unemployment assistance, had no adverse international repercussions. Others, like the

Import Duties Act, the Ottawa agreements and the bilateral trade agreements with Scandinavian countries and the Argentine, did injure certain other countries and international trade generally

Another economic development in Britain at this time was the formation of combines and cartels. While Germany has always favoured and stimulated the growth of trusts, and the United States has always pursued a policy of trust-busting, Britain has never had anything in the nature of the Sherman or Webb-Pomerene Acts. In common law it, like the U.S.A., condemns combinations in restraint of trade, but, since the early nineteen-thirties, and parallel with the growth of protection, there has been a tendency on the part of the Government to encourage key industries to form trusts or cartels. This made it easier for the British to discuss and reach economic agreements with continental countries and particularly with Germany. Among the results of this policy were Britain's participation in the International Steel Cartel, and following that the Federation of British Industries agreement with the *Reichsgruppe Industrie*. This agreement, announced with Government approval on March 15th, 1939—the day the Germans marched into Prague—was the last important inter-war example of British commercial policy. It shows that, while British doctrines and objectives remained broadly in line with the United States, British trading practices were moving closer to those of continental countries. This movement naturally raised fears that Britain was going over to the other camp, but the change could be justified as an essential step towards a contemporary economic organisation. The old methods were discarded because they were manifestly failing to achieve the enduring objectives of British economic policy. For if the question arose of a choice between the German theory and practice of international trade and the American, there is no doubt that Britain would choose the American way, provided it could be presented in a form appropriate to new conditions. After an Allied victory it will not be part of British policy to plan for a new war and build up a war economy. The United Kingdom can have no interest in the economic penetration and through it the political domination of the weaker nations of the world. Like the United States, Britain wishes to promote the expansion of international trade and the international division of labour

to the greatest possible degree. Together with the United States, it has pledged in the Atlantic Charter that, with due respect to its existing obligations, not, be it observed, to its existing rights, it will see that all nations, great or small, victors or vanquished, have access on equal terms to the trade and to the raw materials of the world which are essential to their economic prosperity.

THE MUTUAL AID AGREEMENT

Article 7 of the preliminary agreement between the United States and the United Kingdom on the principles which are to govern the repayment of Lend-Lease supplies, signed on February 23, 1942, has made a start in defining the post-war trading aims and methods of the two nations. It states that the terms and conditions of repayment shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations and the betterment of world-wide economic relations. Provision is made for agreed action by the United States and the United Kingdom, in which all other countries of like mind could participate, directed to the expansion, by appropriate international and domestic methods, of production, employment and the exchange and consumption of goods, which are essential to the well-being and liberty of all peoples. Steps are also to be taken for the elimination of all forms of discriminatory trading practices and for the reduction of tariffs and other trade barriers. No commitments have been undertaken, so far as the reduction of the U.S. tariff and the elimination of Imperial preference are concerned.

THE INTERNATIONAL MONETARY FUND

The "Joint Statement by Experts on the Establishment of an International Monetary Fund,"* although at present no more than a statement of principles, describes a monetary mechanism which, it is hoped, will facilitate the attainment of the aims set out in the Mutual Aid Agreement. The Fund is not a clearing scheme for all international monetary transactions, nor is it intended to be used for large capital movements. Although it provides means of dealing with conditions

* Cmd. 6519 April 1944.

of fundamental disequilibrium, its day-to-day function is to provide a breathing-space in which temporary fluctuations can have free play without necessitating changes either in exchange rates or in the supply of domestic credit. In this way, it is intended to be at once more stable than freely fluctuating exchanges and more elastic than the Gold Standard. It is essentially a monetary scheme, not a plan for world trade nor even for international investment, but by providing a mechanism it represents a first step towards these larger objectives

AN EXPANDING ECONOMIC SYSTEM

The most important feature of the Mutual Aid Agreement is that it commits both the United States and Great Britain deliberately to promote the establishment of an expanding world economic system in more definite terms than any previous statements by either Government

Both countries will have to bear much of the burden of reconstruction, for these countries will alone be in a position to supply a great part of the necessary materials. This assistance, however, except possibly in the relief period immediately after the war, must not be given as charity, but must be directed towards raising the self-respect no less than the standard of life of the peoples concerned. Countries requiring large-scale reconstruction or undertaking large-scale public works with a view to improving conditions in their territories, should be given assistance, on certain conditions, in the form of loans, capital equipment, and raw materials. Loans should be conditional on borrowing countries making the maximum possible contributions, in man-power and material resources, to the realisation of the betterment of their peoples, and also, for example, on the provision of a stated number of men to be trained for an international security force

International co-operation and assistance, directed towards raising the standards of living* and economic security of the low standard countries to the level of the higher, calls for the consistent and deliberate pursuit of certain policies. It does not imply a uniform standard of living for all nations and peoples,

* With regard to improving standards of nutrition, see Chapter VII, in which there is a note on the United Nations Conference on Food and Agriculture, held at Hot Springs, Virginia, in 1953

nor does it mean that high standard countries must stand still until other countries catch up with them. But it does call for the acceptance of obligations and sacrifice by all countries. The United Nations must agree upon new criteria of social and economic welfare, and substitute these for the old one of direct financial profitability which distorted international lending and investment after the last war, the test should be the development of consumer power and a rising standard of living expressed in terms of nutrition, housing, communications and electrical development. The discharge of financial obligations by means of high taxation and forced export of products which the debtor country can ill spare should be discarded as an end of policy.

To take a crude example, the United States should, as the greatest manufactory of cheap cars, direct its policy towards facilitating the construction of roads in the backward countries of Asia and South America and Europe, and should supply American buses and trucks for use on those roads, rather than supply two cars for every American household. This is only one of many examples of what can be done to help the backward areas to become assets instead of liabilities of civilisation.

One of the greatest problems is that of over-populated and under-industrialised areas whose people have hitherto either had to emigrate or starve. Migration from those areas to the more highly industrialised countries of Western Europe and the New World might possibly be encouraged on a large scale, but these countries are unlikely to have altered their pre-war policies towards immigration, through the fear that large influxes of low-grade labour would cause unemployment and lower labour standards. The alternative to this is migration to new industrial centres established within the lower standard countries themselves. The capital needed for this industrialisation would be supplied by the richer countries in the form of an international loan, which would be both economically and morally justified. It would be an insurance against political instability in over-populated countries, and it would be a fulfilment of the obligation of the "haves" to the real "have-nots."

PROBLEMS OF REPAYMENT

One of the problems of post-war economic policy is the

establishment of machinery by which the "have-nots" which have received help from the "haves" may pay their debts. The United States will in all probability be the greatest creditor country, and the only way in which the debtor nations can repay will be directly or indirectly by exporting goods to and carrying out services for U.S. citizens. This would mean an increase in the range and volume of exports from highly industrialised European countries. It might also mean that American manufacturers, fearing competition from European industries, would, as they did after the last war, press for high tariff barriers. The fears of American workers that increased imports from Europe would lead to unemployment might give powerful backing to the industrialists in their demand for a rigid protectionist policy. This fear element would be not only a short-term matter, concerned with the repayment of war-time and reconstruction debts to America, but also an important factor in the development of international trade after the war. Unless some means can be devised to overcome such fears of competition from European industry the debt repayment problem could not be settled and the establishment of a system of international trade, designed to bring about rising standards of life all over the world, could not be satisfactorily accomplished. The Americans must, therefore, be given some guarantee that if they play their part in the reconstruction of the world, their help will not return like a boomerang bringing cheap imports to swamp the home market and throw American labour out of employment. The fears of industrialists and workers are quite justifiable, and the machinery of repayment must allow for and overcome these.

THE INFECTION OF MASS UNEMPLOYMENT

One of the outstanding economic lessons of the inter-war years is that mass unemployment lay at the root of the fierce struggle for export markets. It was the pressure of unemployment that caused nations to regard exports as intrinsically desirable because they helped to increase employment and imports as undesirable because they were assumed to do the opposite. Thus trade restrictions and rigid exchange controls were a symptom rather than a cause of the world's economic sickness. Although they played an important part in determining the volume of international trade, there can be no

question that their role was secondary to that of world economic activity, i.e., the volume of effective world demand.

In relation to world economic activity, international trade is not only a reflector but also a conductor. Economic fluctuations within one national economy are carried through the channels of international trade—above all through the nation's demand for imports—into the economies of other nations. The extent to which this happens varies with each nation's share of total international trade. Obviously, mismanagement of, say, Newfoundland's economy has a less damaging effect on the world economy than would the mismanagement of Great Britain's economy or that of the United States; for these two nations between them share as much as a quarter of the world's total imports and exports. It follows that the best contribution which any nation can make to the satisfaction of the world's economic needs is to put its own total man-power and resources to the best use, primarily in meeting its own domestic needs. For if unemployment is infectious, so is full employment.

Economic nationalism and bilateralism were partly a defence against the infection of unemployment, partly a preparation for war. If, after this war, the world chooses to construct an economy of peace, based on multilateral trade, it must accept the fact that this will make nations more than ever dependent on one another. If one mishandles its internal economy, it may involve all the rest in its fall. This is the danger of the policy associated with the name of Mr. Cordell Hull unless it is accompanied by measures to ensure a high and sustained level of economic activity in the United States. The extension of the Hull policy would in fact intensify the world repercussions of an American depression; on the other hand, it would increase the benefits to be derived by the rest of the world from American "full employment."

"CODE OF ECONOMIC BEHAVIOUR"

An international "Code of Economic Behaviour" with a calendar of economic crimes might therefore be drawn up at the same time as the plans for economic help are laid down.

This code would not merely repeat the traditional arguments that Free Trade is good and that tariffs, quotas and all the paraphernalia of protection, which every country has, are bad. It should examine not only the competitive cost aspect of

international trade, but the equally important problem of the interplay of economic fears of various groups and nations, which has never been properly faced. This would open up possibilities of agreement on broad zones in which the claims of nations to protection against world competition should be acknowledged. This acknowledgement would carry with it the obligation to collaborate in the exchange of goods and services in all other zones, these being flexible and subject to continuous revision both as regards quantities and types of goods. There would be three essential parts of this code of behaviour.

- (a) *The statement of purposes* That is, that the aim of international economic relations is to raise standards of living not only materially but culturally, and that the only valid test is by results. Those economic practices, therefore, which in fact lower standards of life, by bankrupting farmers or manufacturers through excessive price fluctuations, by undercutting labour standards or by preventing the growth of purchasing power, are economic crimes and must be outlawed. On the other hand, those economic practices whose ability to raise standards of life and reinforce economic security can be proved should be studied, pursued and encouraged by the joint effort of trading nations.
- (b) *Economic privileges and the responsibilities which go with them.* For example, the privilege of foreign lending must carry with it the responsibility for enabling the debtor nations to pay in goods and services, either directly or through multilateral transactions. If this responsibility were not accepted, the real basis of the loan would be destroyed. Borrowing, in its turn, must carry with it the responsibility for readiness to pay in goods and services so directed as not to threaten, by dumping, weak-selling and other such practices, the economic security of producers in the creditor countries or elsewhere. It would be necessary for the Governments of debtor countries to give an undertaking that they would avoid these practices, and enforce measures which would compel individual traders to abide by the rules. Above all, the privilege of participating in the benefits of international trade must carry with it the responsibility

for maintaining the full and best use of man-power and resources within the national economy.

- (c) *Calendar of economic crimes.* An examination should be made of all forms of trading policies and practices—tariffs for revenue purposes, tariffs for restricting imports, import quotas, monopolies, export subsidies, clearing and payments agreements, barter deals, bulk purchases, bilateral agreements, etc., to decide which are legitimate and necessary, which are harmless, and which detrimental to trade. The latter could be classed as economic crimes and measures taken to prevent their adoption by any country carrying on international trade. This postulates that, once the crimes are defined, there must be some agreed international economic tribunal to which complaints can be brought and by which nations could gradually be educated in correct economic conduct. This tribunal might be a body comparable to the Federal Trade Commissioners, starting with a rudimentary code, and building it up from the cases which come under its jurisdiction.

CONTINUOUS ADJUSTMENT OF POLICIES

The United States and Great Britain, by drawing up the Atlantic Charter and the Mutual Aid Agreement, have taken steps towards co-operative planning for the post-war economic system. In order that this system may succeed, and in order to protect the smaller nations from any recurrence of German economic domination, it is vital that the economic policies of the two countries shall be brought into harmony with one another. It has already been suggested in this chapter that the failure of Britain and the U.S.A. to pursue co-ordinated policies although their economic principles were very similar, allowed Germany to coerce the weaker nations into its own system, to their great detriment. But it must also be realised that the process of harmonising these policies must be continuous. No conclusive and static economic agreement should be drawn up, for new trends and problems will constantly arise within the economies of both countries, which will have to be reviewed and dealt with continuously if the new system is to be successful. After the war, Britain and America might have a joint domestic body, on the lines of the tariff com-

missioners who were appointed in the Dominions to examine possible new developments after the signing of the Ottawa Agreement. The business of this commission would be to keep international economic developments under constant review and to advise the Governments on any new strains arising from internal or external sources.

THE END AND THE MEANS

To sum up, these are our tentative conclusions:

- (1) Concerted and vigorous Anglo-American economic policies are an indispensable condition for a real and lasting world peace.
- (2) An adequate basis for such policies is not to be found in either the past performance or the past political and economic thought of either Britain or the United States, and proposals based on past practices and ideas should therefore be discarded.
- (3) There is a relatively small and narrowing divergence of view between Britain and the United States over the proper objectives of economic policy, but there is still a substantial failure to express the common objectives in language which both nations can unreservedly accept, and also failure to agree on the practical means of realising these objectives and on the adjustments which each nation should face.
- (4) What is required is far more than a governmental trade agreement: it is the continuous working out at all levels, official and unofficial, and on both sides of the Atlantic, of economic principles and methods able to show results in increased and more widely spread consumption of goods and services satisfying human needs and in social security. In particular, in view of their large stake in world trade, Britain and the United States have a responsibility extending far beyond their own borders to maintain a high and stable level of economic activity, for depression in the great industrial countries is carried through the channels of international trade to nearly every corner of the trading world.
- (5) Main elements in the problem are the study of world consumer needs, agreement upon the methods and patterns of economic organisation by which those needs

can most effectively be satisfied, and diagnosis of the fears of national, producer, consumer and other groups which may thwart progress unless they can be adequately met

- (6) A promising approach would be for those interested on both sides of the Atlantic to try to agree on a broad statement of economic purposes, and to develop on this basis a realistic contemporary code of economic behaviour and a calendar of economic crimes.
- (7) Any world economic policy must constantly give rise to disputes whether particular acts of governments or traders are or are not "unfair". An authoritative international tribunal is needed to hear such disputes and to build up a flexible body of economic case law backed by publicity and by such other sanctions as may be acceptable.
- (8) Any Anglo-American economic collaboration demands for its success continuous confidence and contact particularly over controversial problems and overlapping interests. This implies the need for some sort of standing Anglo-American combined economic adjustment board to keep policies aligned and to remove sources of friction by early informal discussion without resort to diplomatic methods and channels.

CHAPTER IV

COMMODITY CONTROL

Countless critics of recent economic policies have fastened upon the paradox of poverty in an age of plenty, but fewer have dwelt upon the equally remarkable spectacle of a world whose political and economic security depends on more and better organisation, persistently following leaders whose economic creed is anarchy. Through bitter experience the world is learning that economic anarchists are about as trustworthy guides in economic affairs as political anarchists are in political affairs, and that the international anarchist in the guise of a Birmingham manufacturer or a City banker may in the long run prove as dangerous a member of society as the amateur with long hair and a suitcase full of home-made bombs. In order to avoid after this war the perils of extremists with red ties we must deal equally firmly with the anarchist in a top hat.

If more and better organisation is, as we claim, a basic need for a peaceful and prosperous world then it is futile to criticise commodity control schemes on the grounds that any or even all of the past examples have exhibited serious faults, provided that these faults are not inherent in control as such or that they are offset by more than corresponding advantages. Commodity controls are in fact still a relatively young invention, whose development has been in the hands of pioneers of varying ability and varying honesty of purpose. To assess what commodity controls can achieve in 1950 on the basis of what they could achieve in 1923 is precisely as sensible as estimating the capacities of 1945 aircraft from the performances of 1915.

Even during this war great advances in the technique of economic control are being made almost every month, and education in the uses and limits of control is being widely diffused. Few will wish after the war to retain anything resembling the present formidable array of control mechanisms, but equally few are likely to be prepared to pay the price of a return to anything like the chaos of 1938. Apart from the more restrictive types of control, which naturally create most discussion, much is being learnt from, for example, the almost world-wide application of Lease-Lend procedure, the working

out of shipping programmes for essential supplies, and also from the British Government's organised research and planning in the field of commodity controls, which has led to far-reaching contacts and investigations, in concert with other Governments. The need at the end of this war to feed the hungry and clothe the naked will be so enormous and the hopelessness of tackling the job without adequate organisation so conspicuous that some form of large-scale control must go on. In this the United Kingdom must take, and has in fact vigorously taken, the lead. The working out of the necessary measures will no doubt cause many controversies. Let us hope that they will not, like those of the 'twenties and 'thirties, be dominated by irrelevancies and prejudices. Control is not an end in itself. It is only desirable if and in so far as it can produce desirable results. But it is no use insisting on perfection from the start. The first need is to put a bottom under the infinitely precarious and dangerous situation in which we will find ourselves at the end of the war by creating and stabilising a basic structure of commodity controls. The controls can and must then be themselves continuously reformed and used as instruments of continuous reform in economic and also in political affairs. For this purpose there cannot be too much criticism, provided it is disinterested and provided it is constructive. This chapter attempts to bring out some of the possibilities which it may be useful to bear in mind as things develop—and the pace of development is fast.

A discussion of the place of commodity control schemes in the post-war economic system calls for an answer to three groups of questions. Briefly they are these:

- (i) What is commodity control, and what are the characteristic forms of existing commodity control schemes?
- (ii) What have been the actual results of commodity control schemes during the last twenty years? Which methods of control have been found practicable? To what extent have these schemes been socially desirable?
- (iii) What should be the purpose of commodity control and how should it be established so as to achieve this purpose?

This chapter does not set out to deal exhaustively with these questions. The large numbers, the wide variety, and the com-

plexities of existing control schemes preclude any short treatment. What is proposed is to outline the main features of the problem of control, to give some account of recent experience, and to make some practical suggestions for using the principle of control in the interests of world peace and plenty

WHAT IS COMMODITY CONTROL

Existing control schemes for raw materials and manufactured goods represent an attempt to prevent the results which would occur if the price system were the supreme arbiter in production and distribution. All of them imply some degree of conscious planning and co-ordination of action in place of the self-regulatory mechanism of the free market, with unrestricted competition.

Control schemes may be established either by voluntary agreement among producers or by the direct intervention of the governments of countries in which particular industries are situated. Thus most raw material control schemes (the important exceptions being aluminium and nickel) have been organised with government aid, whereas price agreements and cartels in manufacturing industry have for the most part been voluntarily organised, though frequently under the protective cover of government tariff policy. In cases where the supply of the commodity in question is highly concentrated, e.g., nickel, it is usually possible for private producers to establish their own control scheme. On the other hand, in agriculture producers are usually too numerous and too scattered over different parts of the world to establish effective control without government help.

The chief measures so far adopted have been—

- (a) Restrictions on acreage sown, livestock kept, or minerals developed,
- (b) Restriction on gathering of crops, slaughtering of livestock, or working of mines,
- (c) Destruction of part of the crop where production is not easily controlled. In the years 1932-1936 Brazil burnt a quantity of coffee equal to two good average crops,
- (d) Restriction of exports—either directly through prohibitions, quotas, export licences, etc., or indirectly, as by a sliding scale of export taxes,

- (e) Division of markets—which can be an indirect form of price control, e.g., the International Nitrate Agreement, the International Steel Cartel,
- (f) Financially assisting producers by means of loans, subsidies, or compensation schemes to enable them to withhold supplies from the market. In the United States the Federal Farm Board subsidised the cotton and wheat producers to induce them to hold back their crops and plough under a certain proportion of the acreage they had sown. The Brazilian Government lent money to the coffee producers, so that their coffee could be stored in State warehouses and released to the market over the whole year, instead of all coming on the market in four or five months,
- (g) Financial operations to affect the market price—buying up and storing a commodity to withhold it from the market. The tin buffer pool is an example of this. The pool was started in 1938 as a result of the wide fluctuations in price in 1937 (high level, £311 per ton, and low level, £175). It was decided to attempt to keep the price between £200 and £230 per ton. When the price fell below £200 the pool was to buy tin and when it rose above £230 the pool was to sell.

While these are the most important methods of control they do not cover all the activities of the organisations which exercise control. The majority of control schemes are concerned mainly with the regulation of supply and the control of prices. There are, however, some important organisations of producers—notably the International Nickel Company—who use their position to control the organisation of production as well as the marketing of the product and the regulation of prices. These organisations are able to obtain important cost economies by concentrating output upon the most efficient units, whereas the tendency in other control schemes is for some relatively inefficient units to be given artificial support which may or may not be justified in the short run, but which certainly has a retarding influence on economic progress over a long period.

THE RESULTS OF SOME IMPORTANT SCHEMES

Control of raw materials dates chiefly from the last war or after, although a few schemes were in operation before 1914, notably for aluminium, zinc, potash, Greek currants, and Brazilian coffee. The great dislocation of economic life resulting from the war made control more necessary. Some countries had ceased to produce, and others had greatly extended their production. While Eastern and South-Eastern Europe had ceased to export wheat, for instance, Canada and other overseas countries had increased production to make good the deficiency. The main sugar-beet areas of Europe had been battlefields for four years, and Cuba had, in consequence, greatly expanded its production of cane sugar. Other raw material industries, such as Brazilian coffee, whose largest market was Germany, found their pre-war markets closed. Malaya suffered through being unable to get its tin and rubber to the chief markets because of the shortage of shipping.

The other effect of the war was to make control generally, and government intervention in particular, much more acceptable. During the war the governments of all belligerent and most neutral countries had been forced to intervene extensively in economic affairs by rationing foodstuffs and raw materials, by undertaking the production of munitions, by operating shipping and railways, and by reason of many other similar activities. Thus, while before the war government intervention to establish control would have been considered unwarranted interference in the field of private enterprise, after 1919, although still opposed, it was considered a quite usual course of action.

Important among control schemes initiated during the 'twenties were aluminium, Brazilian coffee, copper, and rubber. The Aluminium Association with its headquarters in Switzerland, was an example of a privately organised cartel, it controlled 46 per cent. of the world's aluminium production, but was unable to prevent outside competition. A reorganisation was therefore undertaken in 1931, and the new cartel, the Alliance Aluminium Company, which included members of the old Aluminium Association, controlled 70-75 per cent. of world production. Its policy was not to fix a standard selling price but an average price, which in practice determined the market price. In fact the price remained steady over the

period from 1926-1939. The cartel continued in this form until the outbreak of the present war.

The copper, coffee, and rubber control schemes of this period, though very different from one another in methods, all stabilised the price of their commodities at a level higher than was justified. The result was to stimulate the development of new capacity, both in the regulating countries and among outside competitors. Over-production was thus added to the problems of the industries when the depression came in 1929. Furthermore, the policy of both Copper Exporters, Inc., and the Stevenson Rubber Restriction Scheme (British producers only) caused considerable discontent among consumers—so much indeed in the case of rubber that the United States Secretary of Commerce denounced the scheme and United States manufacturers resorted to the use of substitutes and reclaimed rubber to cut down imports. They also clearly indicated that rather than accept exploitation they would grow rubber themselves. The breakdown of the scheme, though it was mainly due to increase of production by native producers in the Dutch East Indies, represented a victory for consumers and a standing warning to greedy producers.

THE GREAT DEPRESSION

The second stimulus to the establishment of control schemes was the Great Depression after 1929. Many producers of commodities which had escaped control after the war were now forced to set up schemes. Among the most outstanding of this period were the tin restriction scheme (1931), the tea control scheme (1933), the second attempt at control in the rubber industry by the International Rubber Regulation Committee (1934), and the sugar control schemes (1931 and 1937). The tin scheme has possibly given rise to more complaint than any other, and quite justifiably. It was, however, as a restriction scheme, extremely successful. It was put into operation in 1931 by the Governments of the four chief producing countries, and almost all other producers were persuaded to come in on terms extremely favourable to themselves. By 1934 the Committee controlled 98 per cent. of world production. From 1932 prices were kept at a high level and quotas low. Indeed, it was only after repeated complaints of a tin shortage by consumers that the quota was increased in 1936 to a reasonable level. In 1938

a tin buffer pool was established for the purpose of stabilising the price. In this form the control continued to operate until war broke out.

CONTRASTS

The outstanding feature of the International Tea Corporation's policy was the realisation that the industry's problems could not be satisfactorily solved merely by restricting production. Such action would have meant that potential tea consumers would have resorted to the use of readily available substitutes, such as cocoa, coffee, or even alcohol. Export quotas were therefore not reduced below 82 per cent of standard tonnage in any year. To effect an increase in consumption, the Corporation set up a Tea Development Board. This proved successful, and consumption has risen steadily in a number of countries.

The second rubber control scheme, the International Rubber Regulation Committee, set up in 1934 with the co-operation of Dutch producers, controlled 98 per cent of the world's rubber production. Its purpose was to regulate production and export so as to reduce stocks to a normal figure, to adjust supply to demand and maintain an equitable price level. Its most interesting feature, arising out of the defeat of the earlier scheme, was the representation of large consumer interests, e.g. European and American manufacturers, at the Committee's meetings, though in an advisory capacity only. It was the first time that consumer representation had been attempted at all. Provision was also made to finance research into new uses for rubber. It is one of the few control schemes which remained operative after the outbreak of war, but has since been disbanded. Three of the original parties to the scheme, the United Kingdom, Holland and India, propose to form a consultative committee to prepare the way for a new plan which would conform with whatever principles are generally accepted for international commodity schemes after the war. They have expressed the hope that other countries, whether consumers or producers of either natural or synthetic rubber, will join the committee.

The case of sugar is somewhat different from most other control schemes. Sugar can be grown almost anywhere at a price and the industry's problems have been greatly intensified

by the division of markets into nationalistically determined zones. Thus, political influences rather than tests of economic efficiency tended to direct sugar trade and production. Much of the trouble in the industry immediately after the last war resulted from miscalculating the time it would take the European producing areas to recover their former output level. By 1925 world sugar production had increased greatly and far outstripped consumption. The resulting fall in price was disastrous for countries like Cuba which had expanded output tremendously as a result of the war. Although efforts to control production were made, the upward trend continued and stocks accumulated. In an effort to clear these stocks, the Chadbourne scheme of 1931—the first large-scale attempt at sugar control—was brought into operation. It included a number of important producers, but left out many others and took no account of consumers. A further weakness was that it was an agreement between individuals and not governments. World production, however, did decrease somewhat, but while participants in the scheme reduced their output, non-members expanded their production over the same period. The agreement finally broke down and was not renewed.

A new sugar agreement was signed in 1937. This time great importing countries, as well as the principal producers, were represented on the International Sugar Council. This scheme did achieve more co-operation among producers, and its secretariat provided a valuable centre for information on conditions in the sugar industry throughout the world. Its task was difficult in many ways, particularly as regards the export quota. A percentage cut all round involved much heavier sacrifices for countries whose economic systems depended mainly on the export of sugar than for countries like Germany, which only exported a small part of their total production.

Altogether the determination of each country to be self-sufficient as regards sugar, regardless of cost, created a fantastic situation. The world's lowest cost sugar industries, the Cuban and the Javan, were virtually ruined, while consumers everywhere were paying far more than was necessary for their sugar to subsidise uneconomic production.

THE PRACTICABILITY OF CONTROL

It is impossible in the space available to go into the experience

of pre-war controls in any great detail. But it is possible to state some of the leading conclusions which can be drawn from this experience and which must be borne in mind when framing any schemes for the international control of commodities after the war. The conclusions naturally differ according as control is in the nature of a restriction or a price stabilisation scheme.

A restriction scheme can only be successfully operated where the controllers possess a high degree of monopoly power. Monopoly power in its turn depends on both the demand for, and the supply of, the commodity being "inelastic." Demand is inelastic where price changes produce relatively small changes in sales. The primary purpose of restriction schemes is to raise prices above competitive levels, but such action can of course only lead to an increase in the incomes of producers if the rise in prices does not have an extremely adverse effect upon the quantities sold. Demand is inelastic if consumers' tastes are such that they will pay more rather than decrease their consumption, e.g. all essential foodstuffs. The same applies where a commodity forms a small but essential part of the total cost of a product, e.g. tin, rubber and nickel, in the automobile industry and camphor in the film industry, or where no substitute is available.

Monopoly power also depends upon supply being inelastic, for if any rise in prices is accompanied by a relatively large increase in supply a monopolistic control is bound, sooner or later, to be subjected to unbearable pressure. Supply is inelastic where the supply of a commodity is largely restricted to one country or where natural conditions give a substantial cost advantage to its production in one country. One of the chief reasons, indeed, why many schemes have broken down is because supply was not sufficiently under control. Agricultural producers are usually so numerous and so scattered over different parts of the world that supply is inevitably elastic. Even in the mineral industries, where large enterprises are more and more replacing small-scale operators there are still enough actual or potential producers to make voluntary organisation difficult. The tin producers of Malaya, the Netherlands Indies, Bolivia and Nigeria, for example, tried to introduce voluntary restriction, but in 1931 when it became clear that voluntary control was powerless to deal with the situation this had to be abandoned in favour of a governmentally organised restriction.

scheme. The traditional answer to this difficulty has been government intervention. Governments have intervened either exclusively to help producers in their own countries or to give official backing to an international agreement. Government support for control schemes has often been the outcome of an economic and political need to help producers, or at least a section of them, especially where a national economy depends largely on a single product, e.g., West Indies, sugar; Gold Coast, cocoa, and Palestine, oranges. It is not by accident that most pioneer international commodity control schemes have developed among producers situated in relatively poor or weak countries largely dependent upon export markets. The Brazilian Government, for example, naturally has a strong interest in the establishment of control in the coffee industry: coffee is Brazil's main export and a disastrous fall in price may wreck the country's economic and financial system. Governments are also directly interested for revenue reasons in the prosperity of national producers. Export taxes on particular commodities may, for instance, form an important part of a country's revenue. This is the case with Chilean nitrates and Malayan tin and rubber. Any dislocation of trade in such cases is likely seriously to affect public finance in the countries concerned.

Government intervention is equally necessary in the success of many international agreements. Thus one of the chief reasons for the failure of the Stevenson rubber plan and the breakdown of the first attempt to control sugar production was that the schemes did not control all sources of supply. In the same way, the International Tea Corporation, although it controlled 78 per cent. of world production, had no power to prevent the important tea-producing areas outside its jurisdiction from increasing production as soon as prices showed a tendency to rise. On the other hand, the chief tin-producing countries organised in the International Tin Committee made considerable concessions to induce other producing countries to enter the restriction schemes. The Committee was as a result only too successful in restricting supplies, raising prices and causing considerable discontent among consumers.

DISADVANTAGES OF RESTRICTION

Two main criticisms have been levelled against past restric-

tion schemes. In the first place, it is said, prices have often been kept at an unreasonably high level. When the tin buffer pool was established in 1938 the price was, for instance, stabilised at between £200-£230 per ton, yet the chairman of one of the big mining companies in Malaya asserted at this time that Eastern producers could produce at a profit the world's tin requirements at £100 per ton. Even allowing for exaggeration, a price well below £200 per ton would probably have been adequate. The price of other commodities has in the same way and in some cases been kept excessively high.

The second complaint is that production affected by a restriction scheme has seldom been as efficient as it might have been. In nearly all restriction schemes proportionate quotas based on output in a previous period were imposed on particular industrial units. New capacity has, therefore, been unable to develop adequately. This was the case in the tin industry between 1932 and 1935, and in the Cuban sugar industry, where the restriction scheme kept the old-fashioned mills in production and forced the large modern mills equipped with American machinery to work below capacity. It is an important principle that wherever production of raw materials is subjected to restriction, production should be concentrated in the most efficient units, for otherwise consumers are bound to suffer. The problem of redundancy should always have been tackled at the same time as over-production. It would usually have paid low-cost producers to compensate higher-cost producers over a period of years on condition they closed down, instead of fixing prices so as to enable high-cost producers to continue in business.

INTERNATIONAL NICKEL

But the picture has not been by any means wholly black. The International Nickel Company, to take one outstanding example—of a trust rather than a cartel—has not used its power to charge consumers the utmost they could be persuaded to pay. In January, 1937, when the price of most metals was soaring through speculative movements, the price of nickel was cut from £200 to £180 per ton. Nor has it laboured under any temptation to keep inefficient productive units in operation: financial integration in the company has always been associated with physical integration designed to eliminate high-

cost units. While the company's international character and its policy of efficient integration have important lessons for future schemes, it is, however, doubtful whether a private world monopoly, answerable only to its shareholders, is a desirable pattern to emulate. The control scheme of the future, international in its control of supply and of markets, should, on the contrary, be subject to public supervision and allow for a substantial amount of consumer representation.

Price stabilisation schemes are in a different category. They can undoubtedly be of value both to producers *and* consumers in so far as they help to smooth out short-term fluctuations in price. The trouble in practice has been faulty operation, and stabilisation of price has too often been taken to mean stabilisation upwards. Governments and private managers of such schemes (the United States Federal Farm Board for wheat and cotton, the Brazilian Government for coffee, and the Canadian wheat pool managers) have tended to suffer from over-optimism and ignorance about the conditions governing their markets.

CONTROLS HAVE COME TO STAY

That commodity control schemes have inherent disadvantages is plain. That monopoly power has often been abused is universally acknowledged. Yet there can be no doubt that control has come to stay. Indeed, the solution of supply problems of the war and post-war reconstruction period, which are discussed below, will call for continued and heightened control when peace returns. On a longer view, there are many indications that functional as distinct from geographical or national organisations will play an increasingly important part in economic life. It is important, therefore, that the discussion should not be whether these functional bodies are desirable or not, but how they can be made fully accountable to the community as a whole by a strengthening of political authority—national and international. The answer to the question about the desirability of commodity control schemes is that they are desirable if they are subject to public regulation and if their aims and methods assist instead of hindering the satisfaction of human needs. In the following paragraphs some of the problems which concern world commodities during the war will be reviewed. Growing points for future international

collaboration are beginning to arise out of the war, and continued control after the war will be essential if these problems are to be adequately handled

SHORTAGES AND SURPLUSES

Since the war began, the British and other Governments have resorted increasingly to the policy of bulk purchases, partly in order to mobilise resources to the greatest possible extent for war purposes, and partly also to support producers who have been cut off from important markets by the blockade. The United Kingdom Government bought the Australian wool clip (for the duration of the war and one year after), South Africa's gold and wool (also for the duration of the war and one year after), New Zealand's meat and dairy produce, Indian jute, Rhodesian copper, and Malayan rubber. Similarly the United States bought for defence purposes 10,000 tons each of tungsten and antimony from China.

There have, too, been temporary surpluses of certain commodities during the war due to the loss of important markets. This, however, is not likely to be the position for long, in fact, there are already very serious shortages developing in some directions as the liberated countries come onto the markets. There is already an acute world shortage of crossbred wool (though there is plenty of merino) which is bound to be accentuated by the war. There is a shortage of dairy produce and meat due to the reduction of livestock all over the world—in Europe because of shortage of fodder and in overseas countries because of lack of markets. The refrigeration capacity of the world is not nearly great enough to be able to store adequate quantities. It is thus vital for the post-war period that livestock in the Southern Dominions and Argentina should be maintained and increased, for it takes many years to build up livestock herds again, both as regards quantity and quality. Fertilisers are also likely to be short.

In all measures directed towards dealing with the problem of surpluses the clash between financial and producing interests becomes apparent. The holding of stocks on a commodity control basis affects the financial issue. The people who control finance are the only people who can finance stockholding of this kind. They tend, however, to make credits available to countries without making adequate provision for

their being used to liquidate surpluses, where necessary by international measures. Some means will have to be found of bringing finance into line if commodity control schemes are to function satisfactorily in the post-war period.

It is, however, likely that now governments have entered the market as large-scale buyers they will continue to do so after the war, both for unwanted surpluses and for key raw materials and foodstuffs. One centralised government organisation which controlled the marketing of such products would be in a stronger selling position than a number of individual producers and merchants and would also be able to ensure fair distribution. In the pre-war period, too, control schemes were organised to deal with over-production. They were thus organised mainly at the producer end, and were difficult to operate when the market was good. If, after this war, schemes are set up for commodities in which there are shortages, consumer interest will come much more to the fore, with large consumer countries taking a hand in the organisation of the schemes.

THE DRAFT WHEAT CONVENTION

The outcome of the Washington Wheat Meeting was the Draft Wheat Convention, published in June 1942. This set up an International Wheat Council consisting of one or more delegates of each of the contracting Governments, namely Argentina, Australia, Canada, the United Kingdom and the U.S.A. It lays down that the four producing countries "shall adopt suitable measures to ensure that the production of wheat in their territories does not exceed the quantity needed for domestic requirements and the basic export quotas and maximum reserve stocks" for which provision is made. Any excess production must be absorbed within the country concerned or at the direction of the Wheat Council. Stocks of old wheat held at the end of each crop-year must be not less than 35, 25, 80 and 150 million bushels and not more than 130, 80, 275 and 400 million bushels respectively as regards Argentina, Australia, Canada and the U.S.A. The same countries are allocated export quotas amounting respectively to 25 per cent, 19 per cent, 40 per cent, and 16 per cent of "the Council's latest published estimate of the total volume of international trade in wheat and flour in each quota-year" less certain

deductions, but provision is made for the possible inclusion of other exporting countries later on. Maximum and minimum prices, according to grades, are to be fixed by the Council.

An important but incidental feature of the Convention is the establishment of a "Relief Pool" to which the contracting governments shall contribute gifts of wheat for "intergovernmental relief in war-stricken countries and other necessitous areas of the world."

The Draft Convention is intended to serve as a basis for discussion at an International Wheat Conference of all interested nations to be called as soon as practicable at the end of the war, but the contracting governments may bring the main provisions into effect among themselves before the calling of such a conference. During any such interim operation of the Convention, there is an important provision that price-fixing shall be subject to the unanimous consent of the five governments. The Draft Convention is significant in that it is the first of what is likely to be a large number of international commodity control schemes. In this light it is not a happy augury. No arrangements are made for discouraging high-cost production, nor is there any provision for the periodical re-allocation of quotas in favour of predominantly low-cost countries. It is in fact a producers' scheme, which is hardly surprising seeing that the Conference consisted of four exporting countries—faced, it is true, by the problem of an enormous surplus—and only one importer. Its potentially restrictionist nature serves to emphasise the importance of striking a fair balance between producers and consumers in the formulation of all control schemes.

The question of international commodity control formed part of the agenda of the United Nations Food Conference at Hot Springs in May-June 1943, which is described in Chapter VII.

P. L. Yates*, whilst praising the general conclusions of the conference, criticizes it for showing insufficient awareness of the "chronic tendency to long-term surpluses irrespective of how much people eat." On Resolution 25, he adds, "it is gratifying to note that the conference calls for 'effective representation of consumers as well as producers'; and though the

* *Commodity Control* Cape, 1943

wording is non-committal, most of the delegates are understood to have favoured *equal* representation of both parties on Commodity Boards "

THE PURPOSE OF COMMODITY CONTROL

The relevance of past and present experience has now been discussed. What of the future? The main economic task in the post-war period will be to build up a system which is not subject to the violent fluctuations characteristic of the period 1920-1939, but which stimulates a steady expansion of economic activity and makes adjustments possible with the least dislocation of economic life. In the political field the task will be to build up a stable world order, which fosters co-operation between nations, and so penalises non-co-operation as to hamstring potential aggressors. In accomplishing these two objects, control of the production and marketing of raw materials, if organised on a comprehensive international basis, would be of the first importance.

There are, however, several major difficulties to be overcome first. In the past control of raw materials was not set up to achieve either of these ends, but, whether avowedly or not, to aid producers rather than any other section of the community, still less the community as a whole. In fairness to producers, however, it should be added that restrictive control schemes were the only means available to them of meeting acute and chronic surpluses, seeing that it was outside their power to expand effective world demand, i.e. to tackle the problem at the consumers' end. The promoters of control schemes have, however, usually shown themselves incapable of forecasting with any accuracy the conditions of the market. The result is that control in any form is regarded with suspicion by many influential people. One of the main problems in the re-organisation of the economic system after the war will be to eliminate the chief defects of commodity control, to overcome the suspicions which they have justifiably aroused, and to make a reformed pattern of commodity control an accepted part of the economic structure. Consumer representation of a more comprehensive kind than was allowed even by the International Rubber Regulation Committee would do much to establish confidence. Market surveys, both as a means of forecasting future trends and also of eliminating under-con-

sumption of various commodities in certain regions or among certain groups of consumers, are also an essential feature of an expansionist economic system. Far too little work of this kind was undertaken in the pre-war period. It is indeed a task which a strongly organised international control scheme is better fitted to undertake than either unorganised producers or the partial control schemes that have hitherto been in operation.

Another feature of the pre-war world which the existing commodity controls could not avoid was the existence of surpluses of various foodstuffs and raw materials at one point and shortages at another, very often situated in a neighbouring country. Commodity control should, so far as possible, be used to prevent this happening again. In order to enable some economically weak countries to enter adequately into international trade, it may be necessary to adopt internationally some sort of differential price system as regards raw material supplies on the lines of the American Food Stamp plan.

Recent experience has shown that now more than ever before control of the output and movement of commodities means control over the industrial potential of every nation, and therefore control over its power to pursue policies of aggression. Elaborate systems of autarky, the building of immense war reserves, and the replenishment of these reserves by looting those of weaker neighbours and by seizing their production assets can evidently long postpone the day of reckoning, but the capacity even to begin this process depends on the tacit co-operation of the prospective victims for years before the war machine can be made ready. Impressive as its speed of conquest can prove after years of tolerated preparation, the industrial mechanism of aggression could never have been created if the economic control which might have prevented aggression had not been destroyed by the pressure of interested groups after 1918 and its re-establishment bitterly resisted in the name of economic individualism. Right up into 1941 the business men, farmers, and workers of the world's democracies continued to provide the dictators and their associates with many of the essentials of war—oil, metals, oilseeds, rubber, transport, and credit facilities—as if the totalitarians were fellow-citizens instead of enemies of civilisation. Experience shows that, if future wars are to be prevented, a universal and enduring distinction must be drawn in trade

between those who accept the basic principles of civilisation and those who arrogate to themselves the right to be judge and policeman in their own cause. The instructive episode of sanctions against Italy proves that, when an emergency has already arisen, an economic system based on purely business considerations cannot suddenly be halted in its tracks and made a vehicle of bloodless law enforcement.

If the economic system is to be made, as it can be made with sufficient vision and determination, into an effective barrier against major wars, as well as an effective instrument of higher standards of life, then it is essential that the steady and continuous enforcement of peaceful measures rather than occasional belated attempts to stop wars should form a recognised and central element in the system. Every producer should explicitly undertake an obligation to ensure by collective effort so far as humanly possible that nothing he produces goes, directly or indirectly, through his selfishness or ignorance or plain gullibility, to assist international brigandage and lawlessness. Every association of producers should co-operate with international political institutions to protect the products and services within its scope from the abuses to which British credit and shipping, Canadian nickel, Malayan and Netherland Indies tin and rubber, Chinese tungsten, Swedish iron ore, and innumerable other products and services of free peoples have been exposed in recent years by letting the Axis Powers have them despite their policies of aggression. Under such circumstances it would probably be necessary to compensate the producers for loss of trade, but the methods by which this purpose could be attained will be discussed below.

RAW MATERIALS UNION

The objects of a post-war commodity control structure should thus be both economic and political. The precise machinery for achieving these objectives cannot be detailed at this stage and in the confines of this chapter. But certain general principles can be laid down and certain suggestions can be made. It is in this tentative spirit that this final section is written.

Both the need for comprehensiveness and the need for ensuring responsible policies imply that governments of every territory should lay down a framework within which certain of its producers must, and others may, organise themselves.

Such legislation would simply reform, generalise and codify the laws on the subject which almost every country already possesses. The essential is to get beyond the sterile conflict between the private monopolist and the anti-trust approach. Even if commodity control were not economically desirable, it would be politically inevitable and, moreover, it is already here. Those who support and seek to improve it are not being Utopian; on the contrary, those who oppose it are merely tilting at windmills. Given a realistic approach and a burying of dead assumptions, there would be much to be said for an authoritative international study of the models to be recommended for national laws dealing with commodity control in order to promote the utmost consistency and integration in this internationally important field and to secure the generalisation of safeguards for consumers.

The simplest general pattern would be for each producer of key commodities to belong to a national association of producers of that commodity, which would in turn belong to an international control for that commodity. This in its turn would be affiliated to an international Raw Materials Union for all commodities. The latter organisation could be built up on the lines of the International Postal Union as a club to which it did not pay not to belong. It should be a non-political body, whose chief concern would be to promote economic welfare.

Every economic enterprise should have a chance to belong to it: producers, through their national associations and the international commodity controls, and manufacturers and even wholesalers through regional groupings of industry. Only the key raw material producers should be brought in as foundation members. If all were brought in at once it might be too unwieldy to function properly. A suggested list of foundation members is iron and steel, copper, nickel, tin, bauxite and aluminium, zinc, lead, rare metals, rubber, mineral oils, timber, cotton, coal, phosphates, vegetable and animal oils. In the majority of these cases much of the experience and part of the actual organisation required to set up a commodity control already exists, though in many cases production would have to be reorganised and inefficient producers bought out and compensated. Other commodity controls could join later as ordinary members. This is particularly important in the case of key foodstuffs, such as wheat, sugar, and rice, which

should be organised as soon as possible. Consuming industries might join as associate members with different terms of adherence.

The Raw Materials Union would be composed of representatives of governments in their capacity as consumers as well as producers and representatives of international commodity controls. It would not concern itself with particular commodities, but it would lay down, and from time to time adjust, the limits of the general structure to be adopted in particular commodity control schemes, and the terms of supply and of purchase to be observed by bodies affiliated to it. For example, it might lay down conditions regarding consumer representation, access to account books, labour standards, and acceptance of an obligation to withhold supplies from States nominated by a competent international authority as being in breach of their obligations or attempting to impose their wills by force. It might require that no international commodity control scheme under its auspices should become operative, except on a temporary and provisional basis, before being ratified by a majority of the organised consumers of the commodity concerned and before providing for their continuous participation. To make the Union a club to which it did not pay to belong there might be a financial pool attached to it which paid a dividend to members. There could also be shipping and transport advantages for producer members, and buying advantages for consumer members. The constitutions of the various control schemes might differ widely, but all should satisfy the basic conditions laid down.

The authority of such a Union could be adequately established if the Governments of the United Nations agreed:—

(a) To join the Union;

(b) To conclude no trade treaty with a non-member State and to give such States less favoured status in economic matters;

(c) To bind the producing and consuming industries of the key raw materials to adhere to the appropriate international commodity controls;

(d) To prohibit their nationals from adhering to any international agreement for regulating the production of or

trade in a commodity otherwise than under the auspices of the Raw Materials Union; and

(c) To assert the principle that discrimination exercised to give effect to decisions of the Union or its constituent bodies should prevail over any commercial obligations or contracts, including most-favoured-nation clauses (Article 44 of the International Sugar Agreement already goes some way in this direction)

One important function of the Union would be to publish regular reports analysing the price and consumption trends of controlled commodities, pointing out successful innovations which might be adopted elsewhere and defects to be avoided in future schemes, and analysing the current attitudes of producers and consumers to the main aspects of the schemes, as indicated by scientific opinion-sampling tests carried out through an independent agency. Common services, such as technical and economic research, training schemes, exchanges of personnel, and the promotion of properly prepared conferences should be organised by the various commodity controls for their own commodities and by the Union in respect of wider interests. It would, of course, be essential to insist on full publicity on all control schemes. Information relating to the promoting parties, membership, aims, methods, statistics and accounts should be available to all producers, transporters, primary customers, and ultimate consumers.

Another function would be to promote co-ordination between the various commodity schemes in neighbouring groups of territories by means, for example, of creating regional reserve stocks at strategic points, developing storage capacity, encouraging diversification and switching to more suitable crops in areas too dependent on one or a few products, and assisting exchanges of surpluses.

In order to overcome the difficulty that a decision to enforce sanctions against law-breakers is also a decision to forfeit customers, every international commodity control should compulsorily insure its members against losses arising from interruption of sales in execution of a disciplinary decision. Encouragement should be given to long-term and bulk-buying arrangements between producer and consumer members.

The question of enforcing economic sanctions is partly out-

CHAPTER V

INTERNATIONAL AIR TRANSPORT

It is only forty years since Orville Wright was the first man to fly in an aeroplane. In that short time the contraption of bicycle parts, piano wire and bamboo capable of staggering a few yards over the ground has become the giant airliner or bomber which takes oceans and continents in its stride. In these few years the proverbial saying, "I could no more do that than I could fly," has become a complete anachronism. The designers have done their work, it is up to the citizens of all countries to see that their efforts are put to good use.

It is the tragedy of air transport that this period of development has coincided with a period of immense armaments and ruthless aggression. The most international of services has grown to maturity in a world in which international comity has been at its lowest ebb for many centuries, and its development has, in consequence, been persistently warped by nationalism. If a working system of international co-operation can be built out of the war-time structure of the United Nations, aviation will be freed from the bonds of nationalism and help to make the world a neighbourhood in fact.

The future of aviation is thus inextricably bound up with the future of international relations. But at the same time the arrangements which are made for aviation will profoundly influence the shape of world relations. The problem of air transport is, indeed, a test case for the future of international co-operation. Failure will inevitably lead to a deterioration in the relations between states and be fraught with the danger of new and even more devastating wars. Success will ensure that one of the greatest of man's discoveries is used for the welfare of mankind.

DEVELOPMENT IN PEACE

The first international air line—between London and Paris—was started in February, 1919, in which year the British fliers Alcock and Brown, in a Vickers Vimy bomber, were the first to cross the Atlantic. Ever since that time there has, in spite of all the handicaps imposed by rampant nationalism, been a steady and dramatic growth of air transport.

The number of miles flown on regular services was one million in 1919, with a route mileage of 3,200, 234 million miles with a route mileage of 350,000, were flown in 1938. Between 1920 and 1924 regular services operated by United Kingdom companies at home and abroad carried an annual average of 10,100 passengers and 248 tons of freight. By 1938 222,200 passengers, 3,453 tons of mail and 2,527 tons of freight were being carried in the year. Regularity and safety both improved steadily.

The route mileages and passenger traffic of the leading Powers were as follows in 1938 —

	Route Mileage	Passenger, Miles Flown	Density of Traffic Passenger Miles per Mile of Route
British Empire	89,077	127,725,699	1,435
U S A	71,199	554,239,196	7,650
U.S S R	65,865	55,506,942	955
France	40,833	38,847,047	950
Germany (1937)	30,490	74,924,405	2,460
Italy	23,583	—	—
Netherlands	16,055	37,223,204	2,256

There were important world routes already in being before the war, apart from extensive services in the United States and Europe, and there were prospects on the eve of war of further striking development. Imperial Airways operated regular services to South Africa, to India, to Hongkong and, in conjunction with Qantas Airways, to Australia; a service to North America was about to be started in 1939 and a service to South America was planned.

U.S. international services ran across the Pacific to New Zealand and Hongkong, across the North Atlantic and to South America. Russian services were of less importance, operating only to Sweden, Germany, Bulgaria and China. French services ran to Indo-China and Hongkong, to West Africa and South America, to Central Africa and Madagascar. German services, the most important in Europe, ran to South America, and lines were planned to North America and to Japan. Dutch services ran to the Netherlands East Indies and Indo-China and from Dutch Guiana to the West Indies; services across the North and South Atlantic were also contemplated.

The number of aircraft engaged on all these international routes, as well as on all internal routes, was small. The total number of registered aircraft in the world was about 22,000 of which 12,000 were in North and South America and 7,000 in Europe. There were under 2,000 aircraft engaged on regular routes in any part of the world. 500 of these were owned by British Empire air companies, 700 by European companies and 650 by North and South American companies. The number of transport planes in the United States actually fell from 564 to 485 between 1932 and 1941, during which time the average number of seats per plane increased from 6.58 to 18.

AVIATION IN WAR

The war has held up most of the pre-war plans for extension of international services. In all countries aviation has been geared to the needs of war, and civil aviation, in so far as it has continued to exist at all, has become entirely secondary to military needs.

But technical development has proceeded apace. Radio-location and other radio aids have been initiated and improved during the war, and radio in its various forms will undoubtedly increase the safety and reliability of post-war transport aircraft. Then engine design has been improved, and jet propulsion may, in the not too distant future, introduce a revolutionary change which will enable much higher speeds to be achieved. The war-time development of pressure cabins should assist stratospheric flying. Aerodynamic efficiency has been improved. But the full extent of the advances in knowledge, design and methods of manufacture will not be known until after the war. It is certain that their impact will be great. The air-mindedness induced by the war in all countries and particularly among young people may, in the long run, be reckoned the most significant effect of all. As one American has said, "The war has been aviation's most effective press agent."

The R.A.F. Transport Command and the British Overseas Airways Corporation have been responsible for a great development of Britain's overseas services. Capacity ton-miles provided by B.O.A.C. rose from 8,674,972 in 1940 to 21,600,000 in 1942. In 1943 there were B.O.A.C. services from Britain

to Baltimore, Ireland, Moscow, Sweden, Lisbon, Gibraltar, North Africa, Britain to West Africa, Khartoum and Cairo, with subsidiary routes to Turkey, Palestine, Nairobi, Addis Ababa and Karachi, Baltimore to West Africa, and from Durban to Cairo and Calcutta. B O A C's successful operation of the Atlantic Return Ferry Service has been one of its outstanding achievements.

The United States has had the same experience. The U.S. Air Transport Command, which is largely staffed by civilian personnel drawn from commercial air lines, has expanded remarkably and is now larger than all the air transport organisations in existence all over the world before the war, the U.S. Naval Air Transport Service also carries great quantities of cargo and personnel. Among the routes now being operated by the U.S. Air Transport Command are the North Atlantic route and the routes across the South Atlantic to North Africa and to the Middle East, to Australia, to Latin America and to Alaska. On such routes as these new aerodromes have been built and valuable operating experience gained by people of all nationalities.

British aircraft production has during the war been almost entirely devoted to bombers and fighters, while the United States has divided its production between such types and transport planes. More transport planes will probably be needed as the war progresses and as the different theatres of war outside the U.K. become more important; particularly will this be the case if the war against Germany is won before Japan is defeated. Most of these transport planes will necessarily be American. A period of about four years must elapse between the start of design work and the final production of a new type of plane, and in Britain preliminary work on design has only just begun, subsequent to the report of the Brabazon Committee. In the meantime the only new British plane suitable for air transport is the Avro York, a modified version of the Lancaster with a larger fuselage for load carrying.

PROSPECTS FOR THE FUTURE

There have been great advances both before and during the war. What are the prospects for the future? How far will air transport take the place of ships or railways? It is more than likely that the war has made people over-optimistic in their

views about the future of air transport. Nevertheless, wherever the two chief characteristics of aircraft—speed and ability to cross over all physical barriers—can be put to good advantage for the carriage of passengers, mail or freight, air transport will be increasingly called upon.

It is certain that air transport will carry more and more of the international passenger traffic. Before the war the largest percentage of passengers on Imperial Airways were travellers "flying for urgent business purposes." On Pan-American Grace Airways in 1940, 46 per cent. of passengers were business men. After the war business men may not be able to afford not to travel by air if they are to retain the closest possible contact with foreign markets. Civil servants, colonial administrators, and tourists are also likely to travel more frequently by air.

Cost and speed will be two of the determinants of traffic volume. Before the war a ticket from London to Paris on Imperial Airways cost £4 10s. and from London to Sydney £160. A trip on Pan-American from Lisbon to New York cost £106. These charges will certainly fall; between 1925 and 1940 U.S. operating costs per passenger seat per mile fell from 7 to 4 cents. The U.S. Maritime Commission concluded in a 1937 Report that the cost of a Transatlantic flight was likely in the future to be the same as or less than the cost of a voyage on a luxury liner. The Commission recommended that "American vessel owners should not build super-liners, but that they might well give attention in the field of high-speed passenger and express transportation to trans-oceanic aircraft." Speeds are likely to rise. Already in the summer of 1939 the Clipper was scheduled to leave New York at 7.30 a.m. on Friday, be at Foynes at 9.30 a.m. on Saturday, to connect with a plane to arrive at Hythe at 1 p.m. on Saturday; flying time East to West was more owing to headwinds averaging 40 m.p.h.* But on the overland routes from London to Durban, as the Director of Civil Aviation has pointed out, the average journey speed of the Imperial Airways flying boats in 1939 was

*Dr. Roxbee Cox in the 1940 (28th) Walbur Wright Memorial Lecture (J. R. Ae. S., Sept., 1940) has shown that at a speed of 720 m.p.h. flying time between Great Britain and North America would be 5 hours, which would mean, allowing for 5 hours difference between New York standard time and G.M.T., that the traveller would arrive in New York at the same clock-time that he left Britain.

only 62 m p h, because more than half the journey time was spent on the ground

Dr Warner, Vice-Chairman of the U.S Civil Aeronautics Board, suggested in the 1943 Wilbur Wright Lecture that "half of the maximum pre-war ocean travel in the first and cabin classes will be shifted into the air," and that newly created travel—"in future business men of London or Birmingham having negotiations afoot in New York and Detroit will board a plane where once they would have sent a cablegram"—will "equal twice the amount diverted from the previously existing channels" He anticipates, on this and other bases, that there will be a "post-war average of 600 passengers by air per day in each direction between the United States and Canada and the British Isles and the Continent of Europe" Time from London to New York "will be 14 hours" "Upon that basis I can look forward to departures from London at 5, 6, 8 and 10 p m. and midnight as offering as much frequency as anyone could reasonably desire Allowing for flights that may start from points on the Continent an all-inclusive year-round average of eight schedules each way each day between North America and Europe seems a reasonable goal"

MAIL AND FREIGHT

Air mail is also likely to become more and more important. Already before the war under the Empire Air Mail scheme all first-class mail travelled by air Mr W L Runciman has suggested that this precedent is "likely to be almost universally followed where the distances involved are greater than can be covered overnight by surface transport"* Freight may also become more important, but there are definite cost limitations to the amount of freight that is likely to be carried Mr Runciman has estimated on certain assumptions that the cost "per ton-mile for air lines was about 30d, while the similar cost for the ship per ton-mile was round about one-thirtieth of one penny" The general result was that only high-grade articles of low weight were transported by air Examples of such commodities were newspapers and news photos, bank papers, gold and jewellery, films, spare parts, samples, medical supplies, clothing, cut flowers and perishable foods.

This was not true of areas, such as Canada, Alaska, Arctic

* 'Air Transport's Future' *Journal of Institute of Transport*, January, 1943

Russia, New Guinea, Colombia, Peru and Central America, where topographical factors favoured air transport. In 1938 47,841 tons were carried by air in the Soviet Union; 13,085 in New Guinea, 9,697 in Canada; 7,539 in Honduras; and 6,150 in Colombia as against 1,786 tons in the U.S.A. The enterprising Transportes Aereos Centro-Americanos, started by a New Zealander, Lowell Yerex, was one company whose main business was the carriage of freight. T.A.C.A. planes flying to previously inaccessible towns in the interior of Central America carried mining machinery, minerals, refrigerators, and in some areas regularly transported expectant mothers to hospital.

In areas such as these transport of freight by air will certainly extend, but in most parts of the world the bulk of freight will as certainly continue to be carried by sea and land transport. 200 aircraft would be needed to carry the equivalent cargo of one 10,000 ton ship*. Even so cargo is bound to become an ever more important element in air transport.

BRITAIN AND THE COMMONWEALTH

There is only one possible conclusion: air transport has a great future. To this future the British Commonwealth will be in an extremely good position to make a full contribution. Contained in it are many of the key points upon present or projected international routes. Britain itself will have a great part to play. Three-quarters of the earth's land lies in the northern hemisphere, and Britain has a central position in the hemispheric land mass. Dr. Warner said in his stimulating lecture referred to above. "Though less than half of the Transatlantic passenger traffic before 1939 found its eastern terminal in the British Isles, the faithfulness with which aircraft can adhere to Great Circle routes, at least in summer, and the desirability of keeping the non-stop distance to a minimum, puts Britain in a more favourable position for providing the initial European point of contact for air routes than for shipping."

But over the future hangs one great question-mark: Will men be wise enough to realise the promise of air transport in

*Lord Beaverbrook has estimated that Great Britain will need only 2,000 transport planes for all purposes after the war. Allowing for a five-year-life annual production would be 400. British production of all types was 28,000 in 1943.

the interests of their own welfare? The end of the war will provide an opportunity to answer this question in the affirmative. What then are the issues which will have to be settled?

THE ISSUES

There will be a great opportunity when the war has been won to establish international air transport on sound foundations. If this opportunity is to be seized it will call for full co-operation between nations. The spirit of international co-operation will be the first essential. The practice of international co-operation will be the second essential. Co-operation, in spirit and in practice, will help to achieve the dual aim of preventing political considerations from obstructing the development of aviation and preventing aviation from irritating international relations.

Co-operation will be necessary if air transport is not to continue as a creature of nationalism, hampered by the lack of freedom of the air and yet artificially stimulated by subsidies. Co-operation will be necessary to secure common technical standards for the world. But a greater measure of freedom of the air and common technical standards will not be enough. Unlimited competition amongst commercial operators is not likely to be tolerable, pooling agreements to mitigate the waste of competition will not be sufficient and some measure of international operation will therefore be needed. This, in brief, is the argument of the following pages.

LESSONS OF THE PEACE

If international co-operation in the air is going to become really fruitful there will have to be a reversal of many of the policies pursued in the past. The doctrine of the "closed sky," for example, has undoubtedly tended to restrict the development of air transport. The Convention of 1919, as laid down at the Peace Conference, stated in Article 1 that "The high contracting parties recognise that every power has complete and exclusive sovereignty over the air space above its territory." But the third paragraph of Article 15 said that "The establishment of international airways shall be subject to the consent of the states flown over." The result was that only private fliers, not regular air services, were given freedom of passage.

At an extraordinary meeting in 1929 of the International Commission for Air Navigation, established by the Convention, at which the U S A was present by invitation although not a member, the meaning of the third paragraph of Article 15 was made crystal-clear "Every contracting state may make conditional on its prior authorisation the establishment of international airways and the creation and operation of regular international air navigation lines, with or without landing, on its territory " Only four participants—the United States, the British Empire, the Netherlands and Sweden—voted in favour of freedom of passage for air commerce at this meeting. Even a compromise British proposal that consent should be withheld by any country only on reasonable grounds merely received eleven votes

The Convention also allowed parties to it to prevent foreign aircraft flying over certain "prohibited areas," usually military zones. Each nation was, of course, its own judge as to what constituted a prohibited area, and it is alleged that such areas were declared as well to screen actual military zones as to mislead foreigners into believing that non-existent military defences did in fact exist The prohibited areas in Yugoslavia, to take one European country, were very extensive, covering all the frontiers to an average depth of 30 miles, and air entry was confined to seven restricted corridors.

FREEDOM OF THE AIR

Freedom of the air has several different meanings. These have been recently distinguished by the Joint Air Transport Committee. Freedom of air passage, it is said, "would permit airworthy aircraft registered in any State to fly over any other sovereign State without let or hindrance, provided they did not land." Freedom of air facilities "would permit airworthy aircraft registered in any State to utilise the airports, weather reports, radio controls and other auxiliary services of all other States without let or hindrance, provided that such aircraft do not engage in any trade or commerce arising from or in relation to such landings." Freedom of air trade "would in its widest sense permit airworthy aircraft registered in any State to operate for hire or reward into, out of, or within any other sovereign State."

Air commerce, like international trade in general, has been

very much hampered by the fact that the world is split up into scores of independent sovereign states * Naturally one would not expect even as much development of air transport in the British Isles as there has been if Scotland, Wales, Northern Ireland, and England were separate countries, if Wales would allow no English air line to fly in the Welsh air space unless England also allowed a Welsh air line into England, and if England would allow no Scottish or Welsh line to touch English air until such time as an infant English air transport industry had been cajoled into life Yet this is just what has happened on a number of occasions, owing to the exercise of unlimited sovereignty in the air

Thus some countries, such as Turkey, banned all foreign air lines In the same way Hawaii with its military works was barred to all non-U S carriers although it was impossible to establish a trans-Pacific service without the use of Hawaii for refuelling Others allowed foreign lines only after the hardest of bargains and, usually, the granting of reciprocal rights The difficulties which Imperial Airways experienced in gaining landing rights on its route to India are illustrative of the difficulties which all international air lines experienced in some degree The Italian Government at one time allowed Imperial Airways to land at Genoa, Rome, Naples and Corfu, but not to enter Italy from France The agreement specified that an Italian company should also fly on the same route from Genoa to Alexandria A proposal was later made that the receipts of Imperial Airways and the Italian company should be pooled on this route As a result the Imperial Airways service had for a time to be diverted through Vienna, Budapest, and Salonica The Persian Government authorised Imperial Airways to fly only through a corridor over mountainous territory which was quite unsuitable, the route therefore had to be switched to the Arabian coast of the Persian Gulf—after a series of negotiations with the independent Shaikhs of the Trucial Coast some of whom even forbade motor lorries because motor lorries are not mentioned in the Koran

* The Universal Postal Union, long one of the most successful examples of international co-operation, had its beginning in the Postal Convention of 1870, which proclaimed that the member countries constituted "a single postal territory"

CAN WE ATTAIN FREEDOM OF THE AIR?

There is no doubt that the full development of international air transport will be unattainable unless some measure of freedom of the air can be secured and the restrictive policies of the past discarded. What are the difficulties?

The Civil Aerial Transport Committee, reporting at the end of the last war, said "To give to foreign aircraft as a matter of acknowledged international law the right to fly at will over the territory of the State would be to give them undesirable opportunities for espionage." Substance has been lent to this objection by the events of the war. It was reported that the Nazi air attacks on Poland, Norway and France were in fact facilitated by Luftwaffe squadron leaders who had in peace time flown over these countries as Lusitania pilots. But unless we are to visualise the world in the future as a collection of armed camps the only answer is the creation of a workable system of collective security, in which an International Police Force could play a great part. The "progress" of military aviation in the future may be so great as to make such a system of security a condition of progress of any kind. In the four years of the last war German air forces dropped 300 tons of bombs on Britain many times that weight is now being dropped on the Rhineland or Berlin in a single night.

It is also argued that freedom of the air would aggravate the problem of enforcing safety and traffic rules. If any commercial plane of any type could land at any airport at any time it would be exceedingly difficult to maintain safety and to avoid collisions and congestion. But this problem would be eased if there were international agreement, through some accepted International Board for Air Navigation like I.C.A.N., on standards of equipment, airworthiness and on the competence of pilots (see p. 103).

Freedom of the air cannot therefore be considered apart from the political setting. It will be possible to approach nearer to it only if the political problem is satisfactorily settled, although technical developments like stratosphere flying may possibly alter the situation. In any case freedom of the air is not in itself a sufficient objective as it might merely lead to an astonishing conglomeration of services and to an extreme of competition which could hardly avoid being wasteful and which might in the end do more harm than good to international relations.

Subsidies

In order to enhance national prestige and war potential, air transport has been consistently supported by governments and its development has never been governed by commercial considerations. It has been almost universally assisted by direct subsidies to cover deficits or on some other defined research. Air mail contracts have in the United States, for example, also been the means whereby subsidies have been granted, one American authority has suggested that between 1935 and 1940 'about three-quarters of the gross mail payments (in the U.S.) may be considered as public aid to the carriers'.* In Britain direct subsidies to Imperial and British Airways amounted to £1,233,611 in 1939 as compared with £568,790 in 1935. The direct subsidy to French air transport in 1936 was £1,081,952, while the German subsidy was over £2,000,000. As a general rule subsidies for international services have been greater than for purely domestic services. In practically all countries except the United States the State not only subsidised but also participated in the ownership or management of air transport undertakings, e.g. BOAC, KLM, Trans-Canada Air Lines, Lufthansa, Air France, Sabena, Ala Littoria, South African Airways, etc.

If any one national government is prepared to give subsidies to civil aviation it may become difficult for any other national government to refrain from countering with similar subsidies to its own air transport industry, the unsubsidised or comparatively lightly subsidised industry may otherwise be driven from the international sky. Subsidised competition, if carried to an extreme, is bound to act as an irritant to international relations. For the sake of international amity there is, therefore, a good case for limiting subsidies. Large subsidies are also objectionable in so far as they compel the general taxpaying community to give special assistance to the users of air transport and to pay for the prestige flights of under-utilised planes. The infant industry argument may have some cogency, but, as the General Council of Shipping has pointed out, the air transport industry cannot much longer be regarded as an infant.

It would be generally agreed that there must be some limit to subsidies to air transport and, perhaps less generally,

* O. J. Lousteyo, 'International Air Transport and National Policy,' New York, 1942.

that the limit should be low and diminishing as traffic develops. But this can only be achieved on the basis of international agreement. As the Lamplugh Report has said "international agreement is essential to set a high limit for such subsidy as may be necessary. Unless this is done internationally, uneconomic and cut-throat competition is certain to ensue." This will involve an agreed and careful definition of subsidy and regulation of the element of subsidy, if any, in air-mail payments.

A Memorandum prepared by the Society of British Aircraft Constructors suggests that "the freedom of the air and the right to operate might be restricted by international agreement to those companies which gave full publicity to their operations with audited statements of costs and receipts, rendered in a standardized form and published quarterly under the aegis of whatever international controlling body may be established by the United Nations."

INTERNATIONAL ORGANISATION

What forms of international organisation—(1) for the establishment of common technical standards, (2) for the operation of air services (p. 106), and (3) for the provision of ground facilities such as aerodromes (p. 110)—will be needed if air transport is to enjoy a healthier development in the future than it has done in the past?

It is sometimes suggested that a single International Air Transport Authority should both operate the services on the great world routes and should also exercise on behalf of the nations collectively the necessary power of regulation and control over civil aviation generally—that is to say, over those services and facilities which it does not itself operate. Control there must certainly be; and experience shows that it must be largely if not wholly international. There must, for instance, be uniformity of practice on rules of navigation. But to assign essentially regulatory functions, whether or not they are subject to ratification by individual governments, to an international body largely concerned with the actual operation of air services would invite failure. There would be conflicts of interest, if we assume as we must that flying under national auspices as well as international would continue; and however austere impartial this international body might seek to be, its rulings would probably not be accepted as disinterested

in matters which affected its own services. Operation on the other hand calls for high enterprise and audacious pioneering. To put the same point in another way, we shall get the best results if the regulating authority is representative and judicially minded and if operating bodies have vision, enterprise and efficiency

INTERNATIONAL BOARD FOR AIR NAVIGATION

The International Commission for Air Navigation, as set up under the League of Nations by the Paris Convention, is a precedent for a future International Board. I C A N was responsible for ensuring the normal evolution of the Convention by proposing any necessary amendments to the contracting States, for adapting technical regulations to the requirements of air traffic and for the collection and dissemination of information indispensable to air navigators. It drew up standards for airworthiness certificates, log books, lights, signals, air traffic codes, medical examinations for air pilots, meteorological information, air traffic statistics, methods of accident investigation and ground markings.

International co-operation on these matters will be vital if air commerce is not to be hampered by a multitude of different standards. Aeroplane lights and signals cannot be changed in flight between one country and another. European standards of airport construction and radio methods must not be so different from American that a Czech pilot landing at La Guardia Field is a danger both to himself, his passengers and other planes. Convenience and safety will call for uniformity. As Dr. Roxbee Cox has said, "we are trying to put the aeroplane on ethereal railway lines and the nearer we approach that ideal the safer we shall be." "Ethereal railway lines" will necessitate rules as to flying heights and on a host of other subjects. To secure uniformity in practice will be no easy task. "Anyone," states Dr. Warner, "who has lived through the process of making a major change in airworthiness requirements, by way of modernising them, must feel some trepidation at the thought of having to collect, consider, and, as far as possible, to reconcile the views of the interested parties of several continents, instead of those of only a single country." But it should not be an insuperable task.

A start might be made by setting up an International Board

for Air Navigation for the world. In 1939 all large European countries, except U.S.S.R., Germany, Turkey and Hungary, and a few non-European countries were represented on I.C.A.N. The U.S.A. and various other American Republics were party to their own Convention—the Havana Convention of 1928—and were not represented on I.C.A.N. Such a Board as suggested here should in the future certainly include the U.S.A., the U.S.S.R. and all other nations. Its main function would be to secure uniform standards, but it should also collect aviation statistics and could participate in investigations into accidents on international routes, act as a clearing house for research and have the right to inspect the accounts of operating concerns.

COMMERCIAL CO-OPERATION

It can be argued that internationally competitive private enterprise would ensure the fullest possible development of air transport if once the trammels of the "closed sky" were removed. It is, however, highly doubtful whether the consequences of unlimited competition would, in fact, be accepted by the air operators or even desirable for the consumer. Already before the war competition was being tempered by agreement between air transport operators, and the need for some measure of agreement, on schedules, for example, will become even more acute as air transport develops. Competition between U.S., Canadian, British, French, Dutch, Norwegian, Swedish, Portuguese and other air lines on the North Atlantic routes after the war could hardly fail to be wasteful unless regulated by agreement.

In fact there were before the war many different working agreements between air transport operators, particularly in Europe. Twenty-nine lines were, for example, operated in pool in 1935 by companies which were members of the International Air Traffic Association. Pooling agreements typically regulated the number of flights and provided that the one company should place its own administrative and technical organisation at the disposal of the other and that receipts from passengers and freights, but not from subsidies or mail, should be pooled and divided between the companies in proportion to the useful load and number of miles flown. Such pooling agreements were common in Europe and were also found

outside Europe; Air France, for example, had a pooling agreement with Lufthansa for South American services.

The I.A.T.A. was gradually expanding before the war. Its membership, originally restricted to North-Western Europe, spread to cover the whole continent and was spreading still more widely with the affiliation of companies from outside Europe. The main European air transport companies, Pan American Airways and a small number of companies from other countries outside Europe were members before the war. The various European companies were able, through the medium of the I.A.T.A., to reach agreement on schedules, routes and publicity, and on common forms of bills of lading and other traffic documents.

IS COMMERCIAL CO-OPERATION ENOUGH?

An interesting article in the December, 1942, *Bulletin of the Royal Institute of International Affairs* suggested that this system of traffic pools might be developed on a regional as distinct from a line basis. "There might, for instance," it was said, "be continental, inter-continental and inter-imperial pools." Regional pooling agreements might be more successful if there were an international licensing authority. The Civil Aeronautics Board of the United States could be taken as a guide. The C.A.B., in addition to its other functions, issues permits for particular services if it is found that the services are required in the public interest and fixes fair and reasonable rates.

The question remains, however, whether any form of pooling, even if coupled with licensing, would be adequate in all parts of the world and for all routes. As early as 1935 M. Henri Bouche in a report submitted to a Sub-Committee of the Air Transport Co-operation Committee of the League of Nations suggested that co-operation between national companies could not, particularly in Europe, provide the best method of operating international services. M. Bouché saw the trend as being from independent national companies, operating under pooling agreements, to the denationalised company.

As long as the great majority of countries insist for reasons of prestige on having their own air services with the maximum number of direct connections to the important world centres,

On these grounds there is, therefore, a good case for some form of International Corporation

PRE-WAR ANALOGIES

There were, before the war, some air transport organisations having executive responsibility and to some extent an international character, they were not, however, fully international but were rather convenient administrative contrivances for operating a common service in which several interests were concerned than the expression of a purpose common to all or many nations

Arrangements were, for instance, made after discussions held in 1935 between the United Kingdom, Canada, the Irish Free State and Newfoundland for the setting up of a joint operating company to be incorporated at the instance of three companies to be nominated respectively by the Governments of the United Kingdom, Canada and Eire. Each company was to nominate three directors, and the capital of the joint company was to be held as to 51 per cent by the United Kingdom company, $24\frac{1}{2}$ per cent by the Canadian company and $24\frac{1}{2}$ per cent. by the Irish Free State company. Of the total annual subsidy Canada was to contribute 20 per cent, the Irish Free State 5 per cent, and Newfoundland a sum to be agreed with the United Kingdom Government, while the remainder was to be made up by the United Kingdom Government. Pan American Airways was to be granted all necessary landing facilities and to participate on a basis of reciprocity with the joint company in the operation of the services. Imperial Airways, the company nominated by the U.K., was to conduct all experimental flights on behalf of the joint company, which had not come into existence up till the outbreak of war, as the experimental period had only just been completed in the summer of 1939. A similar example is provided by Tasman Empire Airways which established an air service between Australia and New Zealand in 1940. BOAC holds a 38 per cent interest, Qantas Empire Airways 23 per cent and the New Zealand Government 20 per cent. The controlling body is the Tasman Air Commission consisting of three officials representing the United Kingdom, Australia and New Zealand.

Another example was the airline known as Deruluft which was formed in 1921 by agreement between the U.S.S.R. and

to the shattered areas, distributing food and medical supplies and carrying officials, doctors and technicians. Out of this emergency organisations an European Airways Corporation could grow. European aviation should have a better chance under such a Corporation than it has ever done in the past.

INTERNATIONALISATION OF TRUNK ROUTES

Some other Corporations could also be regional, e.g. for Africa, but, as a rule, International Corporations might be confined to the operation of trunk routes. The establishment of an International Corporation for the North Atlantic route would be second only in order of urgency to the European Airways, since this route is probably going to be in the future what the London-Paris route was in the past and since competition, and the emotional heat it would generate, would otherwise be intense. The South Atlantic route might be treated in the same way. Other trunk routes such as Moscow-London, London-Shanghai, San Francisco-Auckland might also be internationalised.

There is obviously no hard and fast definition of trunk routes. The routes chosen for internationalisation could be defined in the post-war Air Convention and suitable machinery for revision provided. The Corporations would necessarily consist of national representatives, appointed on certain defined principles. The members of the Board when once chosen should, however, be free to appoint staff, select pilots and ground personnel and choose the best equipment whatever its country of origin. The North Atlantic Corporation might thus have British planes for some purposes and American for others, French managers at some airports and Dutch at others, Canadian pilots in some planes and Norwegian in others.

The detailed organisation of any such International Public Corporation would require careful consideration. It has been said, in a recent article in *The Fortnightly* by Mr. Friedmann, that success would depend on a number of factors of which the most important is that "the right men should be put in charge, men who will consider themselves as servants and pioneers in an international cause, not as representative of any nation, class or economic interest." Furthermore, "nations assisted by international economic enterprise must be considered as active partners in a joint undertaking, not as objects of foreign

tutelage and capitalist investment. . . . Finally this, like any attempt at international reconciliation, is doomed to failure if constitutional reservation, unanimity rules and other well-known devices of national sovereignty once more impeded international progress "

OPERATION OF AIRPORTS

Separate International Corporations might also have direct operating responsibility for aerodromes in certain circumstances; Vice-President Wallace has proposed the internationalisation of large airports and urged that "boldness should be the guiding principle in planning a world-wide airport construction programme " Where a country was able to provide a fully equipped airport up to the standard required by the International Board for Air Navigation there would be no need for any International Corporation to step in. But where a country had neither the financial resources nor the personnel for the establishment and operation of aerodromes in its territory and where these aerodromes were needed for an international route an International Corporation might take responsibility for their creation and operation. The Corporation could also manage and operate meteorological and radio services wherever these were not being satisfactorily provided by particular countries.

In conclusion we cannot do better than quote again from Dr. Warner: "It will be for the people of the United Nations and their governments, and in particular and in large part for the nations of the British Commonwealth and for the United States, to determine how technical progress will be used. When the last bomb has been dropped, and unconditional surrender has become a fact in Tokyo and Berlin, that problem will confront us. The success with which it is solved will shape the destinies of children yet unborn. The designers will not fail. The statesmen, and the peoples whose interests the statesmen serve must not."

CHAPTER VI

THE FUTURE OF THE COLONIES

Since the outbreak of war the spotlight has played on many of the colonial territories of the belligerent nations. During the summer of 1940 East Africa was in the news—the Italians occupied British Somaliland and bombs fell on Nairobi. The leasing of West Indian bases to the United States switched attention momentarily to British possessions in the Western Hemisphere. In the early autumn interest shifted to Central Africa with the adhesion of the Belgian Congo and French Equatorial Africa to the Allied cause and the organisation of a new regional economy for French, Belgian and British dependencies in this area. The early months of 1941 saw the recovery of British Somaliland and Ethiopia, the collapse of the Italian East African Empire, and the elimination of Axis power in Syria and Iran. West Africa continues to be of importance as an intermediate station on the air routes from Britain and the U S A to the Middle and Far East. But the main spotlight now plays on American, Dutch, British, and Portuguese territories in the south-western Pacific.

Events in this theatre of war reflect gravely on some features of European colonial policy, as well as on our military preparedness. After the defeat of Japan it will be necessary to reconsider the future of this rich and strategically vital area as a regional problem with world-wide implications. When this time comes the immediate interests of particular Colonial Powers and of sectional groups in colonial territories must surely be subordinated to the long-term interests of the local population and of the world as a whole. Already the creation of a unified command of all the Allied forces in that wide area symbolises a new approach on the part of the Great Powers to their joint colonial responsibilities which cannot be limited to military activities or even to war-time needs in general.

The position in the south-western Pacific is only a special example of the general problem of colonial development with which this chapter is concerned. The way in which this problem is handled by the Allies will be a test of the reality of the conceptions embodied in the Atlantic Charter. Of that eight-

point declaration five points are directly relevant to the future of the colonies. Point 2 repudiates any territorial change except with the truly expressed wishes of the people concerned. Point 3 asserts the right of all peoples to choose their own form of government. Point 4 recognises the right of every State to equal access to the trade and raw materials they require. Point 5 pledges international collaboration to secure better labour conditions, economic development, and social security. And Point 6 states that peace should assure to all men in all lands freedom from want and fear. These admirable generalisations need considerable clarification in terms of colonial government and some ambiguities of expression call for elucidation. Yet the general intention is plain and the challenge to traditional practices in the economic and social development of dependent territories unmistakable.

In this chapter a brief analysis is made of some of the characteristic problems of the major tropical dependencies, and an attempt is made to outline a constructive policy for the future. Recent developments, such as the reaffirmation of the trusteeship principle by the British Government in the official statement which accompanied the Colonial Development and Welfare Act, 1940, and the highly practical provisions, and results, of the Act itself are an indication of the new spirit which is beginning to find expression in our own colonial administration. The regional co-ordination of the equatorial African territories of Belgium, Britain, France, the Eastern Group Supply Council, the Middle East Supply Centre, Anglo-American co-operation in the Caribbean, in the Red Sea area, in the Persian Gulf, and the more recent inter-allied initiatives in South-East Asia, are practical steps towards the new forms of international co-operation which we believe to be necessary. These developments are encouraging, but this much more must be said. The policies which are outlined in this chapter pre-suppose the establishment of a durable peace and the creation of new international institutions founded on political realities. If the advanced nations fail to find solutions to their own problems there is little likelihood of their bringing order and progress to the undeveloped regions of the world.

THE DEVELOPMENT OF TROPICAL DEPENDENCIES

Two problems are here entangled: the need for development

in tropical countries and the *politically dependent status* of the great majority of them. The two are both resultants of a historical fact—their backwardness, cultural and economic, relative to the metropolitan countries. This lag in development of the tropics led to their being largely taken over as colonies by the more advanced nations. Considerable development has, however, occurred in the tropical regions as the result of the stimulus of contact with the colonising Powers, though the type of development has not always been desirable. In some cases, as in the West Indies, regression has set in after a period of tolerably prosperous development, resulting in the tropical equivalent of our own Depressed Areas. Even in Central Africa, which was not opened up until a bare sixty years ago, much has been done in providing orderly administrative and legal systems, social services, public works, and other physical machinery of economic advance. But the lag was so great that most tropical populations still exist at a level of human development which is qualitatively different from that of Western countries.

The politically dependent colonies include nearly an eighth of the world's population. In considering the development of these and other tropical backward areas, the co-operation of the peoples concerned is a prime essential for any stable solution. Those hundreds of millions of people will have their own interpretations of what they demand in the way of life, liberty, and the pursuit of happiness, and any strong consciousness on their part of frustration or regimentation will hinder or even prevent the fulfilment of plans for developing these countries.

BASIC QUESTIONS

In considering the future of these areas, we have to ask ourselves three pairs of questions, *political, economic, and social*. Politically, first, how far can international regulation be substituted for national possession? And, secondly, how can a movement towards *responsible self-government* be best encouraged? Economically, one question only is often asked: how can these areas be developed so as to make their resources available to the rest of the world? But the reciprocal is equally important: how can we raise the standard of living of the local peoples and so enable them to play their part as markets for the products of other areas? Socially, we must ask, first, how

improvement can be brought about in the health, the general relations of the individual to society (at the moment largely embodied in labour regulations), and the education and cultural development of native peoples? And, secondly, how can western techniques and ideas be grafted on to an indigenous basis to secure social and cultural progress, instead of exerting a disruptive effect on native life?

Owing to the backwardness of the tropical regions, it is not enough merely to answer these questions as we would answer them in relation to advanced society, in terms of a prescribed goal or a defined direction. For the tropical areas, it is equally essential to discover the desirable rate of change. Otherwise, change in one field may get entirely out of step with other types of change, or the all-round rate of change may be so rapid as to prevent assimilation and adjustment. Thus in all three fields, political, economic and social, we must ask not only *where should we go*, but also *how fast should we go*?

TROPICAL BACKWARDNESS

Tropical countries are only partly organised on a money economy basis, and most of their inhabitants have very low standards of life. They are mostly agricultural, often dependent on a single main food-crop, and on only one or two export products for all that they wish to buy from abroad. Furthermore, in the years between the two wars most tropical export crops have suffered a serious and sometimes calamitous fall in prices.

In general, it is only where mineral resources are present that large financial returns have been obtained. Many of these, however, go directly back to the metropolitan country. Frequently, too, the advantages gained by the local inhabitants through wage-earning are largely offset by the effects of labour migrations from agricultural communities and by the evil effects which too sudden changes in the habits of life and labour may have on health, economic organisation and social conditions.

At the same time populations are increasing rapidly, e.g., in the West Indies; or are likely to increase rapidly in the near future as mortality, especially infant mortality, declines, e.g., in Central Africa, though here labour migrations and new diseases may for a time act in the opposite direction.

The death-rates, disease-rates, and parasite-rates in most tropical areas are far higher than in civilised countries—often of a different order of magnitude. Thus estimated infant mortality in tropical Africa ranges from 200 to even 500 per 1,000 (even in Ceylon it is 166 per 1,000), as against 54·8 in Britain and 30 in Sweden. Similarly, general death-rates range up to two or three times the figure for the most advanced countries.

Diseases like plague, yellow fever, and sleeping sickness still take a heavy toll, leprosy is widespread, and malaria is a major source of reduced vitality. Worms and other large parasites are frequent, over 90 per cent. of a sample of East African natives being infested, in particular, hook-worm, with its debilitating effect, is almost universal. Finally, nutritional deficiencies are frequently serious. Adequate diet and protection against parasites and infectious disease would entirely transform the physique and the psychology of the majority of the inhabitants of the tropics.

Soil erosion, sometimes hastened by what in other ways is economic progress, is often serious, and insect pests such as locusts and tsetse do great damage locally over considerable areas.

The countering of all these handicaps is held up by the ignorance of the native masses. In spite of the valuable past and present work of the missionary societies, and of the fact that education departments are now virtually universal, the leeway to be made up is so great, and the resources are still so inadequate, that in many colonial areas the large (often very large) majority of children still receive no formal education at all, and most of those receiving education do not get beyond the primary stage.

These facts are more a measure of the difficulties to be overcome than an indictment of the colonial Powers. Medical and educational departments, for instance, are in almost all colonies accomplishing admirable work. But the problem is so large—notling less than the transformation of the social and economic life of tropical populations and the taming of their very difficult environment—that the results are still essentially preliminary.

Thus backwardness has been the basis of the view, which is still widely held, that all or most tropical peoples are in some way inherently and markedly inferior, whether in energy,

intelligence, or temperament. This contention cannot be maintained. At present we have no grounds for asserting that different racial groups differ in inherent intelligence. Even should analysis eventually show that, say, West African negroes and Englishmen as whole populations do differ innately in intelligence, these differences will certainly be slight and the great bulk of the two populations will overlap in their mental potentialities. Tropical backwardness is essentially a temporary phenomenon, and can only be looked at as an early stage in a far-reaching process of development. We must envisage the goals of that process as including self-government and a high standard of life.

TYPES OF COLONIAL DEPENDENCIES

Before dealing with methods of development, the problem must be more clearly defined. First, various backward tropical areas are not politically dependent colonies. These areas, as suggested later, would profit by participation in any large-scale scheme of development, and would be welcomed if they chose to apply for participation.

A number of areas with colonial status are not tropical. Some of them, however, like Greenland, could, if desired, be included in the scheme since they share with the tropical colonies the essential feature of being economically backward. Others, like Gibraltar or Malta, are retained as colonies for strategic reasons; any change in their status will depend upon the arrangements made for guaranteeing international security. Others again, like some Middle Eastern territories, are clearly destined to achieve partial or complete self-government in the near future; still others, like Ceylon, are likely soon to acquire the independence of Dominion status.

Northern Africa constitutes a special area; Algeria and Northern Libya were already before the war for most purposes integral parts of France and Italy respectively, and other territories in this region may be expected to become more closely linked with the general European system.

India and Burma possess distinctive and ancient cultural traditions, and although only about half this area lies within the tropics, its industrial development is greater than that of any other region in comparable latitudes. The two countries have also proceeded further along the path towards self-govern-

ment, and politically must now be regarded as in the same general category as the Dominions. Their human problems, however, are obviously of a different type from those of the existing Dominions (apart from some aspects of South African life), and to tackle them many of the methods here suggested for providing capital equipment for a new standard of life will be needed. India and Burma, however, require separate and special treatment, and for this reason they will not be further considered here.

REGIONAL DEVELOPMENT

Tropical colonies thus form the kernel of our problem. They fall naturally into distinctive regions—the African, Malayan, Pacific and Caribbean areas. Thus a regional treatment will be important as the basis for a long-term policy. In particular, we may hope and anticipate that self-government or “Dominion status” will eventually be achieved by the regions as wholes, not separately by the various present territories, or even by sub-regions. As a step in this direction, administrative unification could with advantage be carried out in the near future in several areas (e.g. in West and East Africa and the West Indies), thus preventing the dangers of so-called Balkanisation in the tropics. The Eastern Group Supply Council is a small step forward towards the unification of a very large area. At the other geographical extreme the uninhabited but huge area of Antarctica might well be internationalised immediately to prevent future friction and as a symbol of world co-operation.

Special arrangements involving the more intimate collaboration of non-European Powers (notably the U.S.A. and some of the Dominions) will be needed in the two minor colonial regions, the Caribbean and the Pacific, and also in the Malayan region if, as seems desirable, the Philippines are integrated into its organisation. Developments following the leasing of West Indian bases to the U.S.A. demonstrate the possibilities of co-operation. It is of great interest to observe that this strategic step is already having social repercussions. The British Government has already announced that guidance to Ethiopia in economic and political matters should be the subject of international agreement at the conclusion of the peace, American participation in this is much to be desired, both on the merits of the scheme, and as a possible means of persuading

the U S A to assume a share of responsibility for the development of Africa in general.

In this present discussion, special attention will be paid to Africa, as the largest colonial region, and the Caribbean, because of its peculiar situation as a tropical depressed area. The Malayan and Pacific regions will not be treated in detail, not because they do not present their own urgent and difficult problems, but for lack of space

THE POLITICAL PROBLEM OF THE COLONIES

The foundations of European power in the present tropical colonies were not, in general, laid by the deliberate action of governments, but by the unpolitical action of traders. In Africa this process was begun by the slave traders, and later (from the beginning of the nineteenth century) legitimate traders, whose activities were supported by the British "evangelicals." The industrialisation of Great Britain and of Europe created a healthy demand for African raw materials (notably palm oil), which took the place of the unhealthy demand for slaves: from this time commerce began to play its natural part in raising the standard of living of the participants on both sides. However, the new legitimate trade was unable to drive out the slave trade without the support of punitive action. It was this need which led to the establishment of British power on the coasts. The reluctance of Great Britain to expand inland persisted until the end of the nineteenth century. In the centre of Africa this long commercial preparation was lacking. King Leopold I's effort to start profitable exploitation in a hurry led to the scandals of the Congo Free State. But these in turn showed the necessity of reinforcing the internationally accepted rules of conduct for colonial powers.

SOURCES OF INTERNATIONAL FRICTION

It should once more be emphasised that "colonies" are of various types. It is, however, in general true that politically the "possession" of colonies has always been a source of international friction. Colonies as a measure of national prestige, as a market for metropolitan products, as a politically safe field for capital investment, and as a means for providing outlets for younger sons and adventurous spirits, have always been the object of jealousy. The issue of the so-called "have" and

"have-not" powers has in recent years become acute (although the real "have-nots" are the backward colonial peoples). It is true that quite a number of colonial areas were taken over by European powers only with reluctance. However, it was almost invariably a threat, direct or indirect, of taking over by some other power which caused such reluctance to be overcome—a fact which shows how colonial expansion was linked up with European power politics and nationalist trade expansion.

Colonial friction is indeed a special case of the friction between independent sovereign states of modern type, and cannot be abolished by any isolated treatment. Even where the standards of day-to-day local administration which have obtained under certain powers in certain territories have been high, this has not prevented the suspicion arising that tropical dependencies are in general being exploited in the interests of their white masters rather than developed in those of their own inhabitants. The colonial powers have not yet been able to find a satisfactory moral basis for their dependent empires. There is also the internal political problem of satisfying the aspirations of the local inhabitants for fuller self-government; and this will become more acute with the passage of time.

THE NEW AIM OF COLONIAL POLICY

The aim should be to substitute for the chaos resulting from nineteenth-century imperialistic colonial expansion a system designed to eliminate the jealousies of the industrially advanced nations, to promote the development of tropical areas in the interests primarily of their own populations, but also of the rest of the world, and to facilitate the progress of the non-self-governing territories towards self-government. If it is essential for world prosperity that the rate of tropical development should be quickened, it is equally essential for any stable peace settlement that the thorny political problem of colonies should find a solution.

The pooling of all colonies under an international administration would not be satisfactory. In the first place, the difficulties of administration in backward tropical areas are great enough even with a homogeneous staff. Immediate or rapid internationalisation would add immensely to these difficulties, and there is a real risk that lack of experience in handling native problems might cause not only a slowing-up of develop-

ment but even a dangerous regression. Further, the more developed colonies are definitely hostile to any form of internationalisation, which they rightly feel is no guarantee against exploitation. The most serious objection, however, is the absence of any international body which could undertake the degree of executive responsibility now assumed by colonial powers. Even if Europe were to achieve some degree of political and economic unity, the central authority would for some time to come be relatively feeble. Transfer of colonial areas to other powers, whether under mandate or outright, would also provide no solution. In any case, it is to be deprecated, both in the immediate interests of the native inhabitants, for whom a radical change of system is likely to be unsettling, and because it involves treating human populations as pawns in the game of power politics.

THE TRUSTEESHIP PRINCIPLE

The solution of the problem lies in the wholehearted adoption by the Colonial Powers of the principle of trusteeship and all its positive and practical implications, including that of some degree of international supervision and regulation of colonial affairs. This trusteeship is a dual one, primarily for the colonial populations, but with the interests of the world also in view.

If the trusteeship principle is implemented in a practical way by schemes for economic and social development, the political issue of the "haves" and the "have-nots" will become quite unreal. Britain has made a step in this direction by the Colonial Development and Welfare Act of 1940, under which the greater part of the debts of the Colonial Governments to the British Exchequer are remitted, the maximum of the Colonial Development Fund increased from £1 to £5½ millions per annum, and the Fund made available for education and social services as well as for projects with a commercial return. However, the sums thus made available are quite inadequate and will eventually have to be raised to a different order of magnitude: at present the maximum provision is less than the British expenditure on half a day of the war. Large-scale international co-operation of various kinds will also be needed before the policy of trusteeship is fully and generally implemented; and other backward tropical areas, besides the colonies in the strict sense,

must be included in such schemes of combined social and economic development.

THE POLITICAL FUTURE OF THE COLONIES

The League of Nations recognised the trusteeship principle in regard to the Mandated territories. However, the Mandate system as adopted in 1919 was unsatisfactory as it applied only to Germany's colonies and was in many quarters regarded as little more than a substitute for annexation. Some colonial powers have been uniformly hostile to the idea, and to the colonial peoples it has sometimes seemed to carry with it the stigma of inferior status. Further, though the Mandates Commission has accomplished valuable work, e.g., in preventing the assimilation of certain mandated areas to the closed economic system of adjacent colonies of the same Power, it suffered from various defects. Among these were the absence of powers of inspection, the lack of adequate secretariat and research staff, and most of all the divorce between its powers of review and any responsibility for administration or development.

As concrete steps in the direction of abolishing nationalist friction over colonies, of greater uniformity in social and administrative standards in colonial areas, and of a more rapid progress towards self-government and prosperity, the following may be suggested. Some form of international organisation is assumed, with an executive council, a reasonable central fund at its disposal, and an expert staff trained in an International Staff College, as its minimum requirements.

Administration would remain in the hands of the existing colonial powers, but a small proportion of technical posts should be at once thrown open to qualified men of any nationality, the selection to remain in the hands of the existing power. This proportion should be gradually increased, and as men trained in the colonial section of the International Staff College began to be available, the process might be extended to administrative posts. It is worth while remembering that in some colonies, such as the Belgian Congo, a considerable proportion of the administrative and technical posts have been held by men of outside nationality without impairing efficiency; and the experience of such bodies as the International Labour Office shows that a strong *esprit de corps* and a high standard of professional competence can be built up in an international personnel within a comparatively short period.

A COLONIAL CHARTER

In addition, however, there must be guidance and supervision on the international level. In the first place, international agreement is needed on the interpretation of the trusteeship principle itself. This would be best accomplished by the promulgation of a Colonial Charter. Such a Charter should be neither detailed nor lengthy. It need affirm only the following points: (1) that colonial dependencies are held in trust; (2) the primary aim of the trusteeship is to enable the dependencies to attain self-government as rapidly as possible; (3) the second major aim is the development of colonial territories primarily for the benefit of their own inhabitants, (4) the trusteeship is exercised jointly by all countries included in the international organisation, but delegated, as far as administrative responsibilities go, to powers with colonial experience; (5) no inherent or permanent inequality exists between races or peoples, and equal status and equal opportunity for all is a goal to be realised as speedily as possible; (6) all nations adhering to the international organisation shall have equality of economic opportunity in the colonies, and also of all other opportunity, subject only to the need for maintaining efficient administration.

INTERNATIONAL COLONIAL CONVENTIONS

The raising of minimum towards optimum standards will best be achieved by a series of international conventions. To avoid the problems of colonies being measured by a different yardstick from those of more advanced countries, these conventions should in general be the concern of the International Labour Office, though for certain purposes other types of international instrument, such as the Congo Basin Treaty, may be desirable. The I.L.O. should be strengthened by the foundation of a special Colonial section. The conventions should cover forced labour, civil liberties, wages and hours, labour welfare, opportunities for employment, education, etc. By this means a progressive raising of standards would be achieved and differences in administrative practice reduced. The effectiveness of this method would be greatly increased if local institutions, such as agricultural co-operative societies, bodies representing functional groups, and local welfare organisations could be directly associated with the application of Conventions to the

circumstances of particular areas. Finally, there must be provision for review and for constructive planning and guidance of development by international bodies, but the two functions should not be in the hands of the same body.

Review would probably best be undertaken by the colonial section of the I L O which we have proposed. The application of any Conventions (as with the existing International Labour Conventions) should be the subject of annual report from the various administrations and also of international inspection under the Colonial section of the I L O. In cases of failure to conform to the Colonial Charter or to any of the Conventions in force, the I L O would report to the Executive Council of the international organisation.

A COLONIAL COMMISSION

For the international guidance and supervision of development, a combination of efficient planning, advice, and grants-in-aid is desirable. A set-up of this type has proved extremely efficient, e.g., in the development of the Tennessee Valley by the T V A. For this purpose a Colonial Commission of the international organisation will be required. This would possess no executive authority, but would have attached to it a small but highly trained international staff of experts and advisers, and would receive a considerable share of the central fund.

Any such system must further be designed to promote the cultural and political development of colonial dependencies towards self-government. It is worth recalling that the model of self-government which is coupled with some degree of supervision, guidance and help by a great power, such as has recently been attained by Egypt and Cuba, appears to work on the whole successfully. It is still more important to realise that in any future world organisation such as is here envisaged, national "independence," of great powers as well as small, will mean something quite different from at present, since it will be largely tempered by general interdependence, both political and economic.

While it is essential that, through the Colonial Charter, self-government should be formally declared as the long-range goal of colonial policy, this need not be envisaged as involving the type of central representative institutions familiar in our own country. What is immediately required is the encouragement

of sturdy, self-reliant local communities, with a liberal and increasing measure of self-government in economic and political affairs. With regard to this last point, it is important, as Lord Hailey has strongly emphasised in his great *African Survey*, that the colonial Powers should adopt and publicly declare a policy of utilising local inhabitants in technical and administrative services to the greatest possible extent commensurate with efficiency, and of providing an educational system which would increase the supply of trained and responsible men for such positions. This should expressly include all grades of post, up to the highest, even though in many areas it will be a long time before suitably educated men are available for the higher grades.

A SUBSTITUTE FOR IMPERIALISM

This brings us to the most urgent practical problem—the raising of the economic and social level of life in colonial areas. Gallant efforts towards this end have already been made with very meagre resources, but the true magnitude of the problem is only now beginning to be realised. What is needed is abundant capital equipment for the economic development of the tropics. This is the modern world's substitute for imperialism. It is clear in the first place that (save in a few fortunate areas) this task cannot possibly be accomplished piecemeal, out of local revenues. It is a world job. But, secondly, the canalising of investment into the development of these backward areas will for the most part not provide either immediate or direct financial return. It is a long-term job. This long-term, world-scale task is a pre-requisite for a later increase of general prosperity which cannot be achieved if these areas are left in their present backward state. It is also a necessary safeguard against the continuance and spread of economic and political discontent and insecurity.

It must be realised, however, that, even with financial assistance and improved organisation, some regions (e.g., some of the West Indies) are likely to remain a charge on the rest of the world, as tropical depressed areas, for a very considerable time if their inhabitants are to enjoy any reasonable standard of existence. Still more important, we must face the fact that the reconstruction and development of backward tropical areas will for a considerable time be in competition with the recon-

struction and development of more advanced countries. The diversion of materials, human energies, and investment into the capital equipment of the colonies will temporarily slow down the raising of the standard of life at home. The two sets of needs must be carefully balanced against each other: neither can have absolute priority. Failure on the part of the colonial reformer to recognise the conflict can only result in exaggerated claims for immediate colonial development, which could easily defeat their own object.

IMMEDIATE ECONOMIC AIMS

Before dealing with means, we must be clear about ends. Economically speaking, the immediate aim is the transfer from a subsistence to a cash basis, the diversification of tropical economies and the general raising of income, both territorial and individual, of local standards of life, and, therefore, of purchasing power and taxable capacity, together with increased economic security. This can be facilitated by such means as the provision of roads, power, storage facilities, agricultural, veterinary, and marketing services. A conservation programme should be undertaken for tsetse, locust and other pest control, soil erosion, water supplies, forestry and wild life, with the provision of National Parks as a stimulus to the tourist industry. Such assets cannot be adequately provided at present either by ordinary commercial methods or within the limits of existing government finance and administrative machinery. They can only be brought within reach by using all available finance for investment of a prosperity-creating nature. Investment must be concentrated at the points where it can be most effective in releasing productive energies, not only in working for export, but in producing simple things needed by the local population. Local industries of appropriate type should be developed (cf. the local tile-works, potteries, or textile co-operatives in West Africa in the Gold Coast), not discouraged as is still frequent under the influence of mercantilist ideas. In view of the growing problem of over-production of various tropical crops (e.g. cocoa, oilseeds), it is essential that steps be taken to institute international marketing schemes designed to increase consumption (as has been done with tea) and to diversify production in single-crop areas. It is further essential that the economy of tropical regions shall be integrated with that of

more advanced countries, e.g., through international commodity control schemes such as those suggested in Chapter IV.

Once more, however, we must envisage the danger of conflict between world economic interest and local welfare. It might, for instance, be sound from the point of view of world economics to reduce drastically the production quota for some West African crops. But so long as the tropics have not reached a more advanced economic level, in diversification and other ways, this would spell local disaster, with resultant political discontent, and a setback to the general development of the area. If so, a certain minimum local standard of economic and social welfare must have the priority.

HEALTH AND EDUCATION

The capital equipment of an area is not confined to the provision of material resources and economic organisations. The human resources are equally important. As previously pointed out, most people in tropical areas are as underdeveloped in physical health and in mind as their countries are in the material basis of prosperity. Unless the human resources of the tropics are raised to a new level, investment in the ordinary sense will be largely wasted. Thus health and education schemes are vital. In regard to health, the raising of nutritional standards and campaigns against malaria, hookworm and other parasitic diseases are especially urgent throughout the tropics. Health education, both in schools and among the general community, is also essential. Better education, indeed, is vital as a means of raising the standard of living as well as an end in itself. Agricultural education, for instance, is almost as important as health education. Here valuable results have already been achieved by special campaigns devoted to persuading primitive peoples to adopt new crops and improved methods.

In relation to a properly thought-out population policy, birth-control facilities will be needed in many tropical countries. In some cases the material environment may be so backward or so badly damaged by soil erosion that large-scale transfer of populations may have to be undertaken if the claims of human welfare and long-term economic policy are not to conflict.

Education is also essential for training personnel for technical and administrative posts of whatever grade, including teachers, as well as for commercial and professional careers. A wrong type of educational expansion, however, may be dearly purchased, a superficial veneer is no safeguard against barbaric regression in circumstances of stress. It is also important to prevent the growth of a jobless and discontented native intelligentsia.

Women's education is much more backward than men's in most areas. It is important to remedy this state of affairs, as not until children can be brought up in an educated family atmosphere can we expect to reap the full benefits of any school system or to make an effective counter to the critics who maintain that tropical peoples are inherently backward, and incapable of really profiting from education.

Education in the broad sense also has an important part to play in mitigating the bad effects so frequently resulting from the impact of white civilisation on backward culture. The work that has been done by the Arts and Crafts Department at Achimota in the Gold Coast has shown how local cultural and artistic development can be encouraged by grafting western technique on to indigenous roots. It has been suggested that the experiment be extended to include not only arts and crafts, but also a "sociological extension service," which would have the task of finding out what representative native thought considered most valuable in their own social organisation, what innovations were needed, and where measures taken by the administration merited criticism. An important development of such a service would be the establishment of schools of Social and Economic Survey and Research, which at relatively little expense would canalise the enthusiasm and intelligence of the native élite as they became sufficiently trained, would carry out field experiments, social as well as agricultural, and would thus lay the basis for an orderly development of social policy. Only through some such methods can we expect the growth of healthy patriotism and of vital local cultures conscious of making a distinctive contribution to world civilisation. An integration of higher education (including research) in European countries with that in the colonies, through large-scale two-way interchange of personnel at various grades, would be of particular value, both in preventing isolation and

stagnation in the colonies and in stimulating interest at home in colonial problems. Such a scheme could be tackled at once on the national level by the colonial powers, and could be put on an increasingly international footing later.

To implement the general economic aim of a thorough-going and progressive raising of standards of life and purchasing power in the tropics, various means may be adopted, some of them representing merely an intensification of present methods, while others will be of new type. All must conform to three general principles. First, that every area should earn as much as possible towards building up its own essential services. Secondly, that the maintenance of a proper standard of living should never be left at the mercy of local commercial interests or of the strains and stresses of world economic forces, but that a basic minimum standard should be guaranteed, however long it may be before the area can be developed to become self-supporting. Thirdly, all outside commercial enterprise must operate to the benefit of the local population in so far as existing commercial concessions operate to the detriment of the inhabitants, provision should be made for their immediate revision.

THE MACHINERY OF TROPICAL DEVELOPMENT

We have to consider not only the financing of tropical development, but also the most suitable agencies for canalising investment and for undertaking actual development in the best way.

The proper financing of colonial development can only be undertaken by a combination of the following methods. (1) out of local profits and revenues, (2) by loans or grants-in-aid from the colonial power responsible for administration, (3) by loans or grants-in-aid from the portion of the central fund of the international authority, to be administered by the international Colonial Commission, (4) by private finance.

The following general points may here be made. In the majority of areas some measure of help by direct grants-in-aid will be necessary, not only for social services, but also for improved marketing facilities and for the establishment of local industries. Subsidies to this or that industry should in general be avoided; direct contributions to capital equipment and social services are preferable.

It is desirable that a Colonial Investment Board should be attached to the international Colonial Commission, through which body private finance could be influenced and guided into the channels most suitable for achieving colonial development. The chief types of large-scale development agencies required will be (1) Government Administration, as at present, (2) International Public Concerns, operating for profit under licence, (3) co-operative producer agencies, usually with Government aid or participation (cf. the Empire Cotton Growing Corporation in the Sudan), (4) marketing agencies associated with international commodity control schemes, (5) Regional Development Agencies, not operating for profit. Private trading and unregulated profit-making concerns should be subject to regulations embodying agreed standards of social welfare, conservation, and planned development. Existing large-scale enterprises should over a period of years be required to conform to the pattern of International Public Concerns.

THE I P C AND THE R D A

Where a local surplus is available and can find a profitable external market, a form of International Public Concern might be started. Since such concerns inevitably exert a predominant influence on all aspects of the life of the territories which they serve, it is desirable that they should be subject to welfare and conservation regulations approved by the Colonial Commission. Further, to prevent the draining of wealth out of the territory and the exploitation of the local inhabitants, all profits above a limited figure must be returned to the area, an agreed proportion being set aside for social, educational, and health improvement (on the same principle as the Miners' Welfare Fund in Britain). The remainder might be placed at the disposal of the central Colonial Fund for further development either in the same area or elsewhere. This general ploughing-back of any excess profits from the backward tropical areas is essential if their progress is not to be unduly retarded. The finance and non-local personnel of such Public Concerns should be as international as possible.

Business enterprise under an I P C. scheme would not be restricted to any single pattern. It might range from the large-scale production of a single mineral (e.g., copper, cryolite) or crop (e.g., tea, sisal) to co-operative small-scale producer

organisations (e.g., for cocoa, jute or cotton). It might concern itself with general trading activity along Chartered Company lines or with the all-round development of a region for production as well as trading. Direct Government representation or participation might sometimes be desirable, whether to guarantee efficient operation or to protect general welfare.

REGIONAL DEVELOPMENT AGENCIES

Regional Development Agencies (R.D.A.s), on the other hand, will be required in those numerous regions which require large-scale development before they attain a level of economic activity at which commercial profit (unless by short-sighted exploitation) can be expected. Their problem is as much social as economic, and involves the transformation of every aspect of life. This in turn requires both large capital investment and long-term planning.

Where R.D.A.s are set up they should be under international supervision. Probably the best way of financing them would be to use a combination of private finance and annual grants-in-aid. The private finance would be in the form of loans, under the general supervision of the Colonial Investment Board. These loans could, where necessary, be supplemented by others made directly from the international Central Fund. The loans would at the outset be serviced, both as regards interest and sinking fund, by the grants-in-aid. As the economic activities of the area developed, they would progressively take over the duty of providing this financial service (in the same sort of way that the revenue from the sale of electricity is now being used to cover the running costs of the Tennessee Valley Authority). Grants-in-aid would, of course, be required for many other purposes. The functions of an R.D.A. would indeed be closely similar to those of a body like the Tennessee Valley Authority, except that the supervision would be international. It would concern itself with the development of the region in every aspect, and where possible would operate through existing agencies such as the local administration, missionary schools, etc.

We must also envisage that wherever one of the main products of a territory is controlled by an international Commodity Control Scheme, a local producers' organisation, with Government participation, will be required to represent the

territory on the international board of the scheme, and to arrange for proper marketing facilities

In all backward areas, to achieve smooth working, development should be planned on a long-term basis, and must not be slowed down or side-tracked by undue expenditure on undesirable or unnecessary imports. Some import control policy will therefore be required. Against pernicious drugs or fire-arms, for instance, straightforward prohibition should be employed, and high taxation may control the consumption of such products as whisky and gin.

As a pre-requisite to development in almost every field there is the need of adequate survey, backed by adequate pure research. The encouragement of properly planned surveys should be one of the main tasks of the international Colonial Commission. Anthropology, soils, agricultural products, mineral resources, forestry, erosion, water-power, transport needs, marketing, farm economics, health should all be surveyed, as should the prospects of export and home industries. Lord Hailey's *African Survey*, among many other documents, has stressed the need for the expansion and co-ordination of research.

In the past, development schemes have too often been conceived in the light not only of the needs, but of the standards of the metropolitan powers. Actually, however, it will, to start with, be of more benefit to the colonies themselves if public works are abundant but mostly quite simple in character—dirt roads, small water-storage dams, etc.—and if internal trade is on a large scale, but involving cheap products with which most European firms would hardly concern themselves, than if development policy concentrates mainly on a few first-class roads, or a limited market for relatively expensive imported goods. As an example we may take the following. For some years before 1932 the increasing use in Ceylon of footwear in the shape of cheap Japanese sandshoes had resulted in a considerable diminution in hookworm infection. The imperial protectionist policy initiated in that year banished Japanese shoes from the island, but most of the inhabitants could not afford the brands of footwear still available.

The foregoing considerations apply mainly to non-self-governing territories, but those tropical countries that are already sovereign or semi-independent States, yet in many

cases suffer from similar social and economic difficulties, might also be glad to accept international technical and economic assistance, provided it were offered in such a way as not to offend their national susceptibilities. Analogies for this already exist, for instance, in the technical assistance given by the League to China, Bolivia, etc., and in the projected International Advisory Commission for Abyssinia, in order to develop health, education, transport and other services.

UNIFICATION OF COLONIAL POLICY

Meanwhile, it is highly desirable that colonial policy should become both more uniform and more unified. At present there is often wide divergence both in theory and practice between contiguous areas, not only those controlled by different metropolitan powers, but even those under a single power (e.g., Uganda, Kenya, Tanganyika, French West and French Equatorial Africa). This is bound to cause trouble in the long run, and the trouble will become more serious as the results of the divergences become more obvious and the local inhabitants become more conscious of them and their implications.

Unification is required both intra- and inter-nationally. Internationally, Great Britain is the colonial power most urgently in need of a more integrated colonial system. This arises largely from the excessive number of separate territories under its control. The following table shows the contrast in this respect between the British, French and Dutch Colonial Empires.

The comparison would be vitiated by the presence in the French Empire of the large but sparsely populated desert provinces (French Sudan, Niger and Mauritania in A.O.F. and Chad in A.E.F.), and in the Dutch Empire of the abnormally dense population of Java: these areas have accordingly been omitted. The Anglo-French condominium of the New Hebrides has also been omitted. Mandates are included.

	<i>Separate units</i>	<i>Average area per unit (sq miles)</i>	<i>Average population per unit (millions)</i>
British (administered by Colonial Office) . . .	10	17,000	1.36
French (excluding desert provinces)	19	132,100	3.01
Dutch (excluding Java)	9	99,700	2.11

Thus the number of separate units in the British Colonial Empire is far larger, but their average size, whether measured by area or by population, is much lower than in the French or Dutch systems. If Java and the French desert provinces were included the disparity would, of course, be much greater. By "separate units" is meant territories reporting separately to the Colonial Office, in some cases, as in British Malaya, there are numerous sub-units which complicate the British picture still further, while an additional complexity arises from the fact that other British "colonial" areas are dealt with by the Dominions and Foreign Offices.

This is unsatisfactory both at the periphery and at the centre. Units below a certain size cannot support the apparatus of modern government. The multiplicity of separate reports overwhelms the Colonial Office with detail and allows it no time or energy for framing and directing a clearly thought-out positive policy, which in its turn is necessary if more initiative is to be delegated to local administrators.

The remedy is two-fold. First, the grouping of separate territories wherever possible into larger units, which would be capable of supporting some regional machinery, including an adequate paid staff of expert advisers. Steps towards this have been taken in East and West Africa with the creation of Governors' Conferences with their own Secretariats, and events are tending in this direction in the West Indies. But much more is needed. Secondly, room must be found in the Colonial Office for a section devoted to the framing of broad policy. Here, again, steps are being taken in this direction, but it is essential that the policy should be a positive one, of initiative in development, and that it should envisage the delegation of considerably more power and responsibility to the administrators on the spot.

INTERNATIONAL CO-OPERATION

Internationally, every encouragement should be given to the co-operation of more than one colonial Power in regional problems. Events are already moving in this direction. It is to be hoped that the present co-operation between Britain and the United States in the social development of the West Indies will be continued after the war; while the Belgian Congo and the Free French African colonies are being consulted and

kept informed on broad regional problems affecting British colonies in Africa. As further immediate steps, regular consultation on boundary problems should be instituted, and the regional (e.g. Pan-African) conferences on research, administration and policy, which have already yielded fruitful results, should be extended. An African Council, representing the whole of tropical Africa, is highly desirable, and experience gained from it would pave the way for setting up similar Councils for other major regions, e.g. a Malayan or East India Council.

Internationally, the major background problem is the existence of striking divergences in the general theory underlying colonial administration. The most obvious example is the divergence between the French and British theories. The former in general employ direct rule, insist on French as the sole language of education, and aim at "assimilation" of the local population or at least of a trained élite to the metropolitan Power and its way of life. We, on the other hand, tend to encourage "indirect rule," employ vernacular languages in the early stages of education, and discourage association or assimilation. However, in some French territories, racialism was appearing, with an increasing hostility to the policy of giving the same rights to local inhabitants, however qualified, as to Frenchmen; while in some circles, both British and native, indirect rule has been criticised as a drag on progress and an attempt to side-track the local populations into an inferior branch of civilisation.

Approximation between these and other policies, however, is perfectly possible. First, by making it a declared policy to utilise the local inhabitants to the fullest extent in all branches of trade, industry and administration as a necessary foundation for eventual self-government. This embodies the French principle of the native élite in another form, and the Belgian principle of utilising the local inhabitants to the full in skilled occupations. Secondly, by reinterpreting the somewhat static British principle of indirect rule dynamically, as is already done to a large extent by the Dutch, so as to provide the opportunity for efficient and self-reliant local development growing out of existing institutions and indigenous culture.

Each one of the great colonial Powers, indeed, has made distinctive contributions to the difficult task of developing back-

ward peoples. Thus certain aspects of the medical services in the Belgian Congo are in advance of anything in other colonies, while the Dutch system known as *Adatrecht* provides, in the legal sphere, an admirable example of combining native and European institutions into a new and successful synthesis.

By pooling their ideas, by administrative participation in joint regional schemes, by co-operating in projects of survey and research, by association on the international Colonial Commission, and in various other ways, the colonial Powers could within a brief period help in the establishment of a common colonial policy, of material, political and cultural development. This would not only remove the main sources of friction between the great Powers over colonial questions, but would substantially increase the measure of stability, security and prosperity available to the world at large, and would enable each major colonial region to make its own distinctive and increasingly independent contribution to the world by developing its own culture with the aid of Western thought and Western technical progress.

POSTSCRIPT

Since the above was written many changes have come over the Colonial scene, and many new positive measures have been begun, most of them along lines similar to those here suggested.

The international co-operation envisaged for the Caribbean (p. 117) was later implemented in the shape of the Anglo-American Caribbean Commission, which is described in Chapter VII. Furthermore, economic and social development of the British West Indies, which was mentioned in the same context as a matter of urgency, has been undertaken by the British Government, which has sent out a strong Commission under Sir Frank Stockdale for this purpose.

The integration of higher education and research in the United Kingdom and the Colonies, suggested on p. 127, is now being considered by a strong Commission under Sir Cyril Asquith.

The "experiment" at Achimota described on p. 127 has now been taken over by the West African Institute, which was established in 1943 with a large grant from the Colonial Development and Welfare Fund.

The Institute is also proposing to undertake the sociological, social and economic survey there suggested, though in somewhat different form.

The problems of the Malayan and the Eastern Pacific, referred to on p. 118, have been exhaustively discussed at the important Conference held in Canada under the auspices of the Institute for Pacific Relations late in 1942.

Regionalization has been much discussed in relation to colonial problems. The Secretary of State in his speech of 13th July 1943, in the House of Commons, suggested the formation of Regional Commissions, of a purely consultative nature, on which, in addition to the relevant colonial powers, there should be represented other powers particularly interested in the strategic or economic aspects of the region, together with representatives of the native inhabitants of the various Colonies. Such Regional Commissioners would clearly operate within the framework of international world-scale organizations for military security and economic welfare, and would take over many of the functions of the "Colonial Commission" suggested on p. 123.

The Pacific Conference above referred to has discussed the matter in much greater detail. It makes the point that if the other powers concerned would take on certain responsibilities with regard to the region, e.g. in guaranteeing its military security and promoting its economic prosperity, the Regional Commissioners could properly be given considerable rights over and above mere consultation. These might include inspection and the investigation of grievances on the spot, the publication of its own reports, the tendering of advice and suggestions as to policy, and a share in the direction of economic development, by means of grants and otherwise. In any case, each Regional Commissioner should have an adequate and efficient secretariat and expert staff of its own. General Smuts has also spoken in favour of regionalism for the colonies, but he encourages much more decentralisation.

Other points worth mentioning are the appointment of a Resident Minister (Lord Swinton) for the co-ordination of the war effort in West Africa. His staff may well prove to be the basis for a permanent secretariat for British West Africa. Then we have the growing tendency to substitute the phrase "partnership," with all its implications, for "trusteeship,"

as the principle underlying Britain's relation with the Colonies

A Development Officer and a Town Planning Officer have been appointed for British West Africa—Town Planning experts sent to the West Indies and elsewhere. Commissions have been sent to West Africa and the West Indies to report on Higher Education in these regions. On the initiative of the Colonial Office, planning committees have been set up in many colonial territories.

The "special campaigns" suggested on p. 126 are envisaged by the Colonial Office in its important report on Mass Education, published in 1913, this also aims at achieving general literacy within a comparatively brief span. The encouragement of local industries of certain types, as suggested on p. 125, has been specifically mentioned by the Secretary of State as one of the aims of the new Colonial policy.

Large numbers of aerodromes have been constructed in Africa, and the new possibilities of administration and of short terms of service with frequent leave, which arise from cheap and efficient air travel, are being discussed. Important new Advisory Committees have been set up within the Colonial Office, e.g. on Economics, on Social Services, on Fisheries, on Colonial Products, etc.

Many other events and utterances might be noted, but enough has been said to show how rapidly British colonial policy is moving, and how it is moving on the whole in the directions suggested over two years ago in the foregoing chapter.

CHAPTER VII

UNITED NATIONS ECONOMIC AGENCIES

If the world is successfully to solve the economic problems which will come to a head after the war, it is urgently necessary that the main principles of a sound contemporary economic policy should be clearly understood and agreed, and that the appropriate structure and means for making these principles effective should be worked out. Equally important is the training of personnel for handling the immense administrative tasks which spread ahead of us as far as we can see.

Since 1939 a number of war-time economic agencies have come into existence which have gained very considerable experience in the practical application of a planned economic policy, on a regional and even on an intercontinental basis. Some of these agencies are peculiarly qualified to contribute trained personnel, and even actual nucleus organisations, for the solution of immediate and long-term post-war problems. It would be suicidal if, as the end of the war approaches, these organisations were to be disbanded and an attempt were made, as in 1918, to start again with an entirely new structure built up from blueprints. Fortunately the indications are that this danger is understood, and that the United Nations agencies now in process of being set up or thought out for the post-war period, will either absorb, or be dovetailed into, the existing combined machinery.

This machinery has hitherto been constituted on an almost purely Anglo-American basis, for geography and force of circumstance have made it difficult for the other two great members of the United Nations' bloc, Russia and China, to participate on a scale commensurate with their military importance in the war. On the political side this deficiency is now being remedied by the creation of such bodies as the Mediterranean and European Commissions; on the economic side the tendency has been, as the war developed, to associate with each individual combined agency those allies whose interests are directly concerned.

In order, therefore, to survey the field which confronts those concerned with the solution of post-war economic problems,

and in particular to understand the framework within which such post-war agencies as have already been set up will begin to function, it is necessary to bring together some account of what the existing Anglo-American agencies are, how they work, and how they relate to one another and to the underlying problems of world economics. This chapter is one of the first attempts to produce such an analysis. A large part of the material in it has had to be specially compiled with the assistance of the authorities concerned.

The immediate function of the Combined Boards for production and resources, raw materials, food, munitions and shipping has lain in the direction of adjusting differences and, in particular, allocating available resources between the various claimants, although as a result of their proved success in this field they are gradually assuming the role, within certain limits, of economic planning agencies on a world scale. In order to enforce their decisions they depend on their associated operating machinery, particularly within the London and Washington administrations. Some of this operating machinery functions through branch offices or agencies in a number of countries and is therefore able to undertake bulk arrangements, for example in transport, production and distribution.

Perhaps the most significant example in this field is the United Kingdom Commercial Corporation, which has proved itself remarkably successful at bridging the gap between what the ordinary trader can achieve and what is necessary to be done in order to secure goods in wartime and get them through to those who need them most. Equally interesting is the growing family of agencies such as the Eastern Group Supply Council, the Middle East Supply Centre, the West African Supply Centre, and the North African Economic Board, whose job it is to ascertain and plan the requirements of, say, small arms ammunition for the Forces in India or fertilisers for the Middle East, or cotton piece goods for natives throughout British West Africa and French North Africa.

The inevitable tendency is for such agencies to transcend the boundaries of all States except the largest. Those of them which are linked to a definite territorial area, such as the Middle East, are visibly tending to group the requirements of neighbouring small units into a single more manageable programme, while those which allocate resources are by the

nature of their task compelled to operate as nearly as possible on a world scale. This tendency towards larger units of planning is in sharp contrast to the recent trend towards smaller and more jealously sovereign national States. One way of reconciling the two principles would be to make all group or world agencies responsible to the control of all national States affected. Obviously in wartime such a wide spread of responsibility would be incompatible with the necessary rapid and decisive action. For peace purposes, however, some solution on these lines will be essential if a reversion to world economic chaos is to be avoided.

The possibility of any adequate post-war planning through these or other agencies evidently depends upon our capacity to break away from the financial inhibitions of the inter-war period. We have already discussed in Chapter III 'Anglo-American Economic Policy', the possible long-term significance of Lend-Lease in this direction. That Act and its accompanying agreements abolished, at a stroke of the pen, as far as "defence articles" are concerned, the tangled knots of currency and banking procedure, tariffs, quotas, clearing, and loans with interest, which were throttling international trade before the war. They have made possible for the duration of the war a true sharing of economic resources, each nation contributing to the common pool according to its resources and receiving according to the priority allotted to its needs. Although the system of Lend-Lease will not apply for relief supplies to liberated territories, the basic principle of the sharing of resources according to need has been accepted in the constitution of U N R R A.

THE ECONOMIC AGENCIES IN ACTION

In both Britain and the U.S.A. the implacable demands of total warfare have necessitated far-reaching changes in internal economic organisation. In each country a number of central directing agencies have been established, capable of evolving production programmes for a vast range of products and of putting those programmes into operation. This has necessitated a system of priorities for the distribution of raw materials, the conversion of plants and the concentration of many civilian industries, the control and direction of labour, control of the

means of transport (notably shipping), rationing and price regulation. In Britain the chief agencies are the three production Ministries (the Admiralty and the Ministries of Supply and Aircraft Production), together with the Ministries of War Transport, Fuel and Power, Agriculture, Food and Labour, and the Board of Trade, all under the central direction of the Ministry of Production. The American opposite number of the Ministry of Production is the War Production Board (although naturally their functions are not completely parallel), which, in addition to its primary function of programme determination and its direct responsibility for raw materials, new construction, concentration, and civil supplies, also collaborates with the Army and Navy Munitions Board, the War Shipping Administration, the Department of Agriculture, the War Man-Power Commission, and the Office of Price Administration. In May 1943 the Office of War Mobilisation was set up to "unify the activities of Federal Agencies and departments engaged in . . . production, procurement, distribution, or transportation of military or civil supplies . . . and to resolve controversies between them".

GROWTH OF EXTERNAL AND COMBINED AGENCIES

These internal agencies are the instruments for planning the use of the domestic resources of each country. But since Britain and the U.S.A. are to a large extent dependent on interchange of goods and services with outside territories and with each other, it became necessary even before America entered the war to establish supplementary agencies for the control of imports and exports. Even at that stage purely financial considerations were not allowed to stand in the way. The need for a unified economic strategy, as between Britain and the U.S.A. and as between all the United Nations, has led to the setting up of a number of central Anglo-American economic agencies, with ever-widening scope, to facilitate the best possible interchange of raw materials and finished supplies. The need for maximum economy in transport and shipping and the dispersal of British and American military forces over wide areas of the world further necessitated some kind of planning machinery for the better utilisation of resources in regional units. For this purpose a number of regional agencies, separate or Anglo-American, have been created.

A description will first be given of the more important "external" agencies which are administered by one or other of the two countries concerned. The agencies selected are the Foreign Economic Administration (which comprises the former Office of Lend-Lease Administration, the Office of Economic Warfare, the United States Commercial Corporation) and the Office of Foreign Agricultural Relations in the case of the U.S.A., and the United Kingdom Commercial Corporation, the Eastern Group Supply Council, the West African Produce Control Board, and the West African Supply Centre in the case of Britain. In practice there is, of course, no strict division between the internal and the external agencies concerned, nor is there a lack of mutual consultation between those external agencies which are administered separately by each country. The activities of the Foreign Economic Administration, for instance, are dovetailed into the wider production programme of the Office of War Mobilisation, just as the activities of the U.K. Commercial Corporation fit in with the plans of the Ministry of Production. The F.E.A. and the U.K. C.C. are, moreover, in close touch with each other in the territories in which they operate. Above all, the F.E.A. attempts to co-ordinate the allocation of resources to all the United Nations in order of their real urgency and irrespective of national boundaries, as far as transport conditions permit. This co-ordination is effected by close contact with both the internal and the external agencies of the United Nations.

But Anglo-American co-operation is carried to a still higher level in the combined administration of certain areas and in the combined planning of all foreign and domestic procurement, in so far as the exigencies of war demand permit. Descriptions of the Combined Boards, of the Middle East Supply Centre, the Caribbean Commission and the North African Economic Board therefore follow the account given of external agencies.

Finally, with the establishment of the United Nations Relief and Rehabilitation Administration and the International Food Organisation, the first steps have been taken in the creation of functional and regional agencies on a truly international scale, involving the participation of all the 44 United and Associated Nations. In order to round off the general picture a brief note on each of them is included in this chapter.

This chapter is not concerned with non-economic international agencies (political or military), nor does it consider such international economic agencies as existed already in peace-time (the International Labour Office, certain schemes to control specific raw materials*, etc)

UNITED STATES EXTERNAL AGENCIES

(1) *Lend-Lease*

The Lend-Lease procedure is an innovation of first-class importance in the history of economic policy. The Lend-Lease Act of March, 1941, provides that the President may authorise the manufacture or procurement of "any defence article for the Government of any country whose defence the President deems vital to the defence of the United States"; and he may permit competent authorities to "sell, transfer title to, exchange, lease, lend, or otherwise dispose of to any such Government any defence article . . ." Defence "article" is defined as including not only weapons, munitions, and ships, but "any agricultural, industrial, or other commodity or article for defence". Under this Act not only the British Commonwealth, but all of the 43 United and Associated Nations, including the countries of the Middle East and South America, and one neutral country, Turkey, have been declared eligible for Lend-Lease. Master Lend-Lease agreements have been or are being negotiated with most of these countries. Reciprocal Lend-Lease agreements have also been signed with a number of countries, including Britain, Australia, New Zealand, Belgium, Holland and the French, providing that each country receiving Lend-Lease aid from the U.S.A. shall furnish in return such goods and services as it can supply, and as the U.S.A. requires for its own war effort, without any consideration being given to the maintenance of a balance between the values of goods and services received and given.

(2) *Foreign Economic Administration*

In September, 1943, by Presidential directive, the separate agencies previously concerned with foreign economic policy, of which the most important were the Office of Lend-Lease

* See Chapter IV, on 'Commodity Control'

Administration (O.L.L.A.) the Office of Economic Warfare (O.E.W.) and the Office of Foreign Relief and Rehabilitation (O.F.R.R.), were amalgamated to form the Foreign Economic Administration, under the direction of Mr. Leo Crowley. The State Department is responsible for determining the broad lines of policy to be followed by F.E.A., and the activities of the two departments have been further linked by the appointment of Mr. Stettinius, formerly head of O.L.L.A., as Under-Secretary of State, and the appointment of an Assistant Under-Secretary of State (Mr. Acheson) to be directly in charge of economic questions.

For operating purposes F.E.A. is divided into a Bureau of Supplies and a Bureau of Areas. The Bureau of Supplies is responsible for analysing and endorsing export programmes from the U.S. to foreign countries, both for Lend-Lease civil goods and commercial exports, for sponsoring these before the appropriate procurement agencies such as the W.P.B. or the War Food Administration, for arranging or assisting procurement, and for the issue of export licences. It is also responsible for the procurement of American imports, the administration of import controls, and the direction of development work in foreign countries. The Bureau of Areas, which is divided into four divisions—Latin America, Enemy Areas, Liberated Areas and General Areas (the latter includes the British Empire, Russia and China)—draws up programmes of imports and exports by areas, administers economic warfare policy, including the "preclusive" purchasing of commodities in order to deny them to the Axis, collects economic intelligence, and in general directs the activities of F.E.A.'s foreign representatives.

F.E.A. is also responsible for carrying out American policy in relation to U.N.R.R.A., and a number of F.E.A. officials have now been transferred to the staff of U.N.R.R.A.

In January 1942 the personnel of the United States Commercial Corporation (U.S.C.C.) and the Foreign Commodities Division of the Commodities Credit Corporation were transferred to F.E.A., which thus became responsible, not only for administering foreign economic policy, but for the actual handling of all American Government purchases abroad, including foodstuffs (with two exceptions—Caribbean sugar and Canadian products) and excluding only the specialised fields of rubber and petroleum. Co-ordination between the

activities of F E A and those of the Rubber Development Corporation and the Petroleum Reserve Board is assured by the fact that Leo Crowley is Chairman of the former and a member of the latter.

In London F E A is represented by the Mission for Economic Affairs (London) headed by Mr Philip Reed, which has replaced the former Harriman Mission. This Mission also represents the War Shipping Administration, and is, broadly speaking, the American counterpart, for civil questions only, of the British Supply Council in Washington, which sits under the chairmanship of the British Minister for Supplies Resident in Washington. In the Middle East F E A has appointed a regional representative, Mr J M Landis, who is responsible for co-ordinating all American economic activities in the Middle East, and who is thus, for civilian affairs, the American opposite number of the British Minister of State Resident in Cairo.

In nearly all allied or neutral countries there is now an F E A. mission, composed of the former foreign representatives of O. L. L. A., O. E. W., and O. F. R. R., which works in close touch with British diplomatic officials. The U. S. C. C. is mainly concerned with purchases in S. America, but it has branches in the Middle East territories and in Spain and Portugal, where it collaborates with the U. K. C. C. By an agreement between the two bodies, each extends to the other all facilities in the territory within which it operates, including exchange of liaison officers and sharing of operative costs.

BRITISH EXTERNAL AGENCIES

(1) *United Kingdom Commercial Corporation*

The United Kingdom Commercial Corporation was established in April, 1940, as an instrument for meeting the difficulties attending the development of United Kingdom trade with certain neutral countries. In contrast to the U. S. C. C., which is a Government body, the Corporation carries out its work as a commercial and independent entity, subject only to general consultation with His Majesty's Government on the broad lines of its policy. The capital is subscribed by the Treasury.

The Corporation was at first concerned with trade with Hungary, Rumania, Bulgaria, Yugoslavia, Greece and Turkey.

Since the fall of the Balkans its activities have been extended from Turkey to Spain, Portugal, the whole of the Middle Eastern and Persian Gulf area, India, East Africa, French North and West Africa and, for certain purposes, the Argentine. For carrying on trade in some of these countries, local subsidiary companies have been established in order to meet local requirements. A Middle East Board of Directors has been set up in Cairo to supervise the work of the branches in the M.E.S.C. area and to decide matters of local importance which do not require reference to London. The Corporation also has direct representatives in U.S.A. and India. A further subsidiary, the English and Scottish Commercial Corporation, handles some financial aspects of the business of the whole group of companies.

The primary object of the U.K.C.C. has been not to replace, but to supplement, the normal channels of trade. Its original aims in its Balkan operations were to help British export trade by offering alternative markets to those of the Axis for the staple exports of the countries concerned, and also to help the British exporter through the complexities of Government control and in matters of shipping and transport services. Where war conditions had caused the breakdown of normal trading channels the U.K.C.C. entered into commercial operations on its own account, but employed the normal channels wherever possible. The extension of the Corporation's activities to territories outside the blockade area, and the necessity, on supply and shipping grounds, for restricting exports to such territories to bare essentials, have resulted in an expansion and an alteration in the character of the Corporation's functions. Broadly speaking, these can now be described as follows:

(a) The U.K.C.C. purchases in Turkey, Spain, Portugal, Iraq and Persia goods such as wool, silk, olive oil, dried fruits, skins and wolfram, which are required by the Ministries of Supply or Food or which it is important that the enemy should not obtain.

(b) Some Governments have entrusted the U.K.C.C. with the centralised procurement of certain commodities which are increasingly difficult to obtain, e.g. tin and tinplate for Turkey, newsprint and medical supplies for various Middle East territories.

(c) In the Middle East the U K C C has been entrusted with purchasing, arranging shipment for, and distributing the region's requirements of certain key commodities, such as wheat, fertilisers, oilseeds, sugar, and quinine, the world allocation of which is now controlled by the production authorities in London and Washington. The purchases are made under the direction of the interested Departments in London and of the Middle East Supply Centre in Cairo, and the goods are imported in bulk into the Middle East. The Middle East Supply Centre then allocates through the U K C C the quantities to be distributed to each territory.

(d) Under the direction of the military authorities, the U K C C operates road transport across Persia of British and U S supplies for Russia.

(e) The U K C C procures and stores reserve or strategic stocks of certain goods in the Middle East.

(f) The U K C C acts as the agent of the Ministry of War Transport in allotting shipping space for the export of civil supplies from Britain to the Middle East.

(g) The U K C C is responsible for sponsoring and following up the progress of manufacture of Middle East orders for goods from the United Kingdom which have been approved by the Middle East Supply Centre.

(h) The purchase and shipment of non-military supplies for Russia from the sterling area is entrusted to the U K C C, acting as the agents and under the direction of the appropriate Government Departments in London.

It is possible that at a later date both balance of payments and employment problems will prompt a re-transformation of the U K C C into an instrument for export drives. It would be a tragedy if the close liaison already existing between the U.K.C.C. and the U.S.C.C. degenerated into an unrestricted race for markets, harmful to the best interests of all participants.

(2) Eastern Group Supply Council

A conference at Delhi in October, 1940 of representatives of all the British Nations and Dependencies east of Suez created two permanent organisations, one military and one civil. The Army body is the Central Provision Office, under the Controller-General of Army Provision (Eastern Group). The civil organisation is the Eastern Group Supply Council, which

has a Chairman representing the U K. Government, representatives nominated by South Africa, Australia, India, and New Zealand, and also a Netherlands East Indies representative and a Colonial Adviser. There is also a large number of technical personnel. The Central Provision Office has to make provision for the requirements of all military stores (excluding food, petrol, oil and lubricants) throughout the Eastern Area. The Supply Council has to meet the demands of the central Provision Office as far as possible from available sources in the countries within the Group area. The Central Provision Office informs the Supply Council of all the needs of the Forces which cannot be met locally and gives the Council forecasts of future demands.

For this purpose local provision offices within the military headquarters of the Dominions and Commands in the Eastern Group Area assess the extent to which demands can be met locally, what will have to be supplied from the Eastern Group or from the U K. or U S A., and what future requirements are likely to be.

The Eastern Group Supply Council in its turn collects information about the productive capacity of the regions under its control. It decides to which country or group of countries a particular demand should be allocated and the supply departments of those countries carry out the orders as they think best. The Council's main problem has come to be, not which of two or three countries can produce a certain article, but whether the article in question can be produced in the required quantity by the Group countries collectively within the required period of time. The E G S C, unlike the Middle East Supply Centre, is concerned only with military stores, and its only customers are the various armies stationed in the Group area. But, although it has not been its primary objective, the Council has to some extent promoted the economic advancement of its constituent countries. To satisfy military demand from sources within the region, it has recommended the supply of constituent or component parts for manufacture into military stores in Group countries; it also places orders for War Office stores in Group countries on behalf of the Ministry of Supply.

(3) *West African Produce Control Board*

In May, 1942, the West African Cocoa Control Board was

reconstituted as the West African Produce Control Board. This Board controls the purchase and marketing of the whole output of certain agricultural crops in British West Africa, and is taking similar action, in co-operation with the French National Committee, in the French Cameroons, French West Africa and Equatorial Africa. The arrangements made by the Cocoa Control Board continue in force, and schemes for the control of oilseeds and other commodities have been or are being arranged.

The Produce Control Board was originally set up to help West African producers of goods difficult to dispose of because of the loss of their European markets. But after the loss of Malaya and the Dutch East Indies the problem of redundancy turned into one of scarcity. The Board is now therefore concerned to increase the production and supply of West African produce, particularly palm kernels, ground nuts, oilseeds, tin and manganese ore, to the greatest possible extent. It uses existing trade organisations as its agents in Africa. By guaranteed prices it relieves the merchants of risk and facilitates a smooth flow of supplies. It has also succeeded in improving transport facilities, thereby reducing the costs of importing and exporting.

The Board, under its chairman, the Parliamentary Under-Secretary for the Colonies, works in close co-operation with the West African Governments, with the Ministry of Food and with the appropriate Combined Boards, as well as with the French Colonial Delegation in London. It is not, therefore, purely a United Kingdom external agency.

(4) West African Supply Centre

The West African Supply Centre forms part of the Secretariat attached to the Resident Minister in West Africa. In matters of war-time import policy and local production the Centre seeks to obtain the maximum degree of co-ordination between the Governments of the four British West African Colonies, and it also co-operates with representatives of local merchant associations. In the case of imports, the West African Colonies provide the Centre with lists of commodities which they regard as essential. The Centre then puts forward block demands to the British Government, which in turn indicates the source of supply for these requirements and

arranges shipping accordingly. The Centre itself controls the use of coastal shipping. In addition, the Centre assists schemes for expanding local production of food, and also of textiles.

COMBINED FUNCTIONAL AGENCIES

The combined Anglo-American agencies are of two distinct types. The first type, the Combined Boards, might be described as functional. They aim at a combined planning of all foreign and domestic procurement. The Combined Production and Resources Board, in particular, represents an extension into the sphere of Anglo-American co-operation of what was first done in the domestic spheres alone by the War Production Board and the Ministry of Production, or their predecessors.

The second type, the Middle East Supply Centre, the Caribbean Commission and the North African Economic Board, are attempts at regional planning jointly carried out by American and British administrators. They are subordinate or supplementary to combined agencies of the first type, but the particularly long and successful experiment of the Middle East Supply Centre would seem to warrant a detailed account. A number of the combined agencies which will be discussed are not exclusively Anglo-American but also include representatives of the Dominions.

(1) *Combined Shipping Adjustment Board*

This agency was instituted in January, 1942, to promote the pooling of the shipping resources at the disposal of the War Shipping Administration and the Ministry of War Transport respectively. Each administration remains responsible for the movement of all shipping under its control, but the shipping programmes of the United Nations are co-ordinated according to a common plan. The Board operates equally in Washington and London. The Washington Board consists of Admiral Land, chairman of the War Shipping Administration, and the head of the British Merchant Shipping Mission. The London Board consists of Lord Leathers, Minister of War Transport, and Mr. Philip Reed, head of the U.S. Mission for Economic Affairs.

(2) *Combined Munitions Assignment Board*

This Board, also set up in January, 1942, assigns the war

The Board, of which Canada has also been a member since October, 1943, sits in Washington, and consists of the U.S. Secretary of Agriculture, the Chairman of the British Food Mission, representing the Minister of Food, and the representative in Washington of the Canadian Minister of Agriculture. As in the case of raw materials, information regarding the resources and requirements of the Empire (other than Canada) and of the Eastern Hemisphere countries is co-ordinated in London before being submitted to the Board in Washington.

(5) *Combined Production and Resources Board*

This body, which includes Canada, was also established in June 1942, (1) to "combine the production programmes of the United States and the United Kingdom into a single integrated programme, adjusted to the strategic requirements of the war, as indicated to the Board by the Combined Chiefs of Staff, and to all relevant production factors. In this connection the Board shall take account of the need for maximum utilisation of the productive resources available to the United Kingdom, the United States, and the other United Nations, the need to reduce demands on shipping to a minimum, and the essential needs of the civilian populations"; and (b) "in collaboration with the Combined Chiefs of Staff assure the continuous adjustment of the combined production programme to meet changing military requirements." The Board works in closest collaboration with the Combined Chiefs of Staff and with the Munitions Assignment Board, as well as with the Joint War Production Staff in London and the War Production Board in Washington.

The Board is established in Washington and consists of the Chairman of the W.P.B. (Mr. Nelson) or of Mr. Wilson (Vice-Chairman of the W.P.B.) acting as his deputy; of Mr. Lyttelton, whose deputy in Washington is Sir Henry Self, and Mr. G. E. Bateway, Canadian Metals Controller.

ROLE OF COMBINED BOARDS

The general purpose of all these Combined Boards is "co-ordination". The decisions to set them up were taken at the Roosevelt-Churchill level and with little apparent regard to the exact manner in which they would fit into the framework of the multifarious national agencies already in existence.

The possibility therefore existed that the role of the Boards might be confined to that of arbitrators between competing claims on the various resources of the non-Axis world, arising out of the individual policies pursued by the United States and the countries of the British Empire. In fact, however, the Boards have proved able to assume the wider function of acting as planning agencies for the British Empire and the United States on a combined basis. The local agencies in each country work within the framework of the joint policies prepared by the Combined Boards.

With the exception of the G S A B, the work of the Combined Boards is carried out through numerous combined committees set up to deal with particular subjects. In some cases these committees are combined committees of two of the Boards, e.g. the Combined Steel and Copper Committees of the C P R B and the C R M B, the Combined Fertiliser Committee of the C R M B and the C I B. The work of the Combined Boards, with their Committees, involves close day to day contact between British and American officials at all levels, from Cabinet Ministers to technical experts. The development of these personal contacts and the administrative experience derived from it may prove to be one of the most fruitful results of the war. For war purposes, in fact, an entirely new order of international relationships has sprung up, almost superseding the old diplomatic order with its very limited scope and interests. The British and American peoples are now linked officially in almost every phase of their economic life. As the end of the war draws in sight, and the sense of unity in the face of a common danger recedes, resistances to this process of unification inevitably begin to develop. But the foundation has been well laid, and reasonable hope exists that after the war the process will not be finally reversed, but will on the contrary continue and develop on a broader United Nations' basis.

COMBINED REGIONAL AGENCIES

(1) *Middle East Supply Centre*

The Middle East Supply Centre was set up in April, 1941, when the difficulties which arose over supplying Greece during the Greco-Italian war had demonstrated the need for programming and organising civil supplies for other territories

forming the Allied base of operations in North-East Africa and South-West Asia. To-day the M.E.S.C. covers an area much larger than Europe or the United States, and serves a population of some eighty millions. It includes Egypt, Sudan, Palestine, Transjordan, Cyprus, Saudi Arabia, Eritrea, Ethiopia, British Somaliland, Syria and Lebanon, Tripolitania and Cyrenaica, Iraq, Persia, and, for certain purposes, Turkey and Malta. British East Africa is also included for purposes of supply to member territories, but not for import. Originally a purely British agency, the Centre became in 1942 an Anglo-American body. The chief American representative on the Centre is now the representative of F.E.A. in the Middle East. Day-to-day contact with the Governments of the non-British member territories is maintained through British and American representatives, either attached to the appropriate diplomatic mission or working directly under the Centre, which now has its own local representative in most territories.

The Centre is established in Cairo, and carries out its day-to-day administrative work under the direction of the Minister of State, important questions of policy being submitted to the Minister's Supply and Transportation. Direct liaison with the territories is maintained by meetings of the Middle East Supply Council, which is attended by British and U.S. representatives from each territory.

IMPORT PLANNING

The Centre was established primarily to satisfy the essential civil requirements of the Middle East with the utmost economy of shipping space, by developing local production of commodities indispensable for civilian consumption and of raw materials for the war industries; to assess and assist the essential seaborne import requirements of the area on a long-term basis; and to establish an effective system of import control in order to eliminate non-essential imports. For the two latter objectives the Centre has developed the following procedure:

(1) The half-yearly minimum import requirements of each territory are assessed by the Government of the territory (in co-operation with the local Anglo-American representatives in the case of the non-British territories), and are submitted to the M.E.S. Council.

(2) These requirements, after any necessary revision, are endorsed by the Council and by the appropriate authorities in London. They are then taken as the basis for the issue of import licences by the Governments of the territories

(3) The authorities in the countries of supply (i.e. Britain, U.S.A., the Dominions, India) have agreed to refuse export licences and manufacturing and shipping facilities to orders for the Middle East Territories which are not approved by the M.E.S.C. Lists of import licences issued by the territorial Governments therefore pass through the Centre to the supplying areas. Thus, although the Centre has no executive powers, it is able in practice to enforce its decisions by exercising a veto over imports which do not conform to the accepted programme

(4) On the other hand, for goods which are in short supply, the Centre's recommendation of an order is accepted by the authorities of the supplying countries as a certificate of its essentiality. As the list of civilian supply shortages has lengthened during the course of the war, the work of the M.E.S.C. in championing the needs of the Middle East territories before the supply authorities in London and Washington has become increasingly important.

(5) The Centre prepares monthly shipping programmes for the Ministry of War Transport on the basis of the import quotas fixed and of any special information which it has received regarding shortages, over-shipments, etc.

In some territories local Supply Committees have also been set up to scrutinise import requirements, to supervise import licence policy, and to act as a channel of communication between the local Government authorities and the M.E.S.C. These committees vary considerably in constitution. In Persia an official Anglo-American committee (the Central Supplies Committee in Teheran) works in close liaison with a corresponding committee set up by the Persian authorities. The same is true of Turkey, which, however, is only a member territory in respect of the import of bulk foodstuffs, although close liaison is maintained on other supply and shipping matters. For Syria and Lebanon the Commission Supérieure de Ravitaillement has been created, composed of representatives of the British, the French, and the Arab authorities. The Central Supplies Committee in Iraq, on the other hand, is

composed purely of Iraqi Government officials, although these include the British Director of Supplies and the British advisers to the Iraqi Ministries of Finance and of Communications and Works.

To control consumption in, and imports into, an area where the great majority of the population are peasants living under economic conditions which have altered comparatively little in 2,000 years, where local administration is not highly organised and where local customs and requirements vary to an extreme degree, from those of the westernised cosmopolitan populations of Cairo and Tel Aviv to those of the tribesmen of Abyssinia or the nomads of Arabia, is a problem which cannot be solved on the model of Britain and the United States. Hoarding and speculation have at times caused difficulties. The introduction of rationing on a general scale has not so far been attempted, although locally severe rationing has been applied, and Palestine introduced in 1942 an ingenious and advanced type of Points Scheme for food in short supply, including restaurant meals. Similarly the organisation of imports on a bulk basis and their equitable distribution is a major administrative problem. In contrast to Britain, the U.S.A., and the Dominions, the Middle East has therefore continued to be largely dependent for its imports on private trade. The M.E.S.C., however, assists local Governments on behalf of private traders by giving advice on sources of supply where normal trade channels have been diverted as a result of the war, by encouraging local enterprise, by assisting the development of transport services, and in other ways. The U.K.C.C., acting on behalf of the Centre, gives free advice and assistance to individual importers. It is also responsible, in Britain, for sponsoring and assisting the procurement of Middle East private orders which are duly covered by import licences, except in cases where this function is already performed by some other body. In the United States this task is carried out by an Anglo-American executive agency in New York, whose staff are drawn from F.E.A. and from the U.K.C.C. respectively. But for certain commodities imports are made in bulk to form a pool under the control of the M.E.S.C., which is then responsible for allocation to the territories according to their needs. This applies particularly to cereals, sugar and fertilisers, the import of which in quantities imposes a severe strain upon

shipping and port facilities. As a result of the disastrous crop failures of the 1931 harvest, for instance, it was necessary to import hundreds of thousands of tons of cereals into an area, which, in normal pre-war years, was on balance nearly self-sufficient in cereals.

Similarly, the bulk import of nitrates is a vital necessity for Egypt, since intensive cultivation alone is possible and crop production depends upon adequate fertilisation. Other commodities such as tea, oilseeds and quinine are pooled for the Middle East as part of a world-wide scheme of pooling and allocation of resources under the direction of the Combined Boards.

These arrangements have involved active co-operation between the M.E.S.C. and the local authorities in the actual administration of distribution. The executive task of arranging the shipment, handling, storage, and sale of the pooled commodities has been entrusted to the U.K.C.C. Government inspection is, however, required in order to ensure that locally produced cereals are not hoarded but are made available for general distribution, that nitrates imported into Egypt are applied only to essential food crops such as wheat, maize and rice, and not to cotton, and that vehicles are used only for essential purposes. This supervisory work is now being increasingly carried out, in the non-Colonial territories, by the local and the Anglo-American authorities together, working through special joint committees. In Egypt, for instance, special M.E.S.C. Cereal and Fertiliser Committees, composed of Government representatives, have been set up: the Cereal Committee even has its own administrative officers in the provinces who are responsible for carrying out its recommendations. In Persia a Transport Board has been formed, composed of representatives of the Persian, British, and American authorities, together with transport experts from all three nations, to assess requirements of vehicles, tyres and spares, to organise their equitable distribution and rationalise transport facilities.

The M.E.S.C. not only works with the local Governments in carrying out its day-to-day administrative tasks, it is also seeking to enlist their co-operation in the planning of long-term inter-territorial policy on specific subjects. Thus during the past year M.E.S.C. has arranged a series of Middle East

conferences on such subjects as transport, rationing, statistics, and agriculture, at which the representatives of the local governments have pooled information and ideas and have set before themselves concerted objectives to be followed in their national policies.

The M.E.S.C. further arranges the creation and allocation of reserve stocks of foodstuffs, medical supplies and other essentials for the Middle East as a whole.

PRODUCTION PLANNING

From a long-term standpoint the import-planning work of the Centre may well be dwarfed by its work in encouraging agricultural and industrial production in the interests of the whole of the Middle East, as distinct from the sectional interests of the separate constituent territories. The growing of essential foodstuffs, especially cereals, is being systematically encouraged in those areas where soil and other conditions are most suitable, and inter-territorial bulk supply arrangements are being made. In Egypt acreage under cotton—except for the valuable longest-staple variety—has been greatly reduced in favour of food production. Railways hitherto run on imported coal are progressively being converted to oil-burning. Local products such as cottonseed are being put to new uses. The entire Middle East has become one unit also for such purposes as pest control, so that outbreaks of locusts, for example, can be fought with the same disregard of arbitrary human boundaries as is shown by the locusts themselves. A small British scientific advisory Mission has been temporarily attached to M.E.S.C. to report on scientific, agricultural and technical problems and resources in the area, including education, and to make recommendations on the establishment of a suitable organisation to ensure the fullest practicable service of information and advice. Scientific and technical resources are thus mobilised for the service of the Middle East rather than of a particular territory. Except for Soviet Russia, the Middle East Supply Centre area is now the largest continuous area in the world with a common central economic policy and administration. For the first time in its immensely long history the Middle East feels the drive of a single constructive policy, providing the essentials of life, and the benefits of honest, impartial and efficient economic administration gradually infiltrating through the traditional channels.

For the first time the resources of the outside world are systematically made available to cover the requirements of the peoples of the Middle East. Although a by-product of the war, the advantages of group economic development for a major backward region and the capacity of British agencies to work effectively as a team with the local administrations for a common economic objective have been demonstrated in practice and beyond question.

(2) *Anglo-American Caribbean Commission*

This Commission was set up in order to study problems of labour, agriculture, housing, health, education, social welfare, finance, economics and related subjects, common to British and American colonial territories in the Caribbean, and to make recommendations to the two Governments. Although its functions are only advisory, it represents something of a revolution both in its international aspects and in the way in which it is cutting across the extreme isolation that existed among the various islands.

The Commission, which has recently published* its first report (1942-3)*, was constituted in March 1942, mainly on account of critical social problems arising from the building of American bases in British Colonial territory. Britain and the U.S.A. each have three representatives on the Commission, the British Co-Chairman being Sir Frank Stockdale and the American, Mr Charles W. Taussig.

Structurally, the Commission operates at three levels:

(i) The Commission itself. The British representatives are responsible to the Colonial Office, while the American representatives report directly to the President and are part of the U.S. State Department.

(ii) The Caribbean Research Council, created by the Commission in 1943 to co-ordinate research work in the Islands. It will have a number of sectional committees, the first of which is to deal with nutrition, agriculture, fisheries and forestry, with special reference to the findings of the Hot Springs Conference on Food and Agriculture. It is significant that the Netherlands have agreed to be represented on the Council.

(iii) A system of West Indian Conferences for regular consultations between representatives of the West Indian people.

* Obtainable from the Crown Agents for the Colonies

The first Conference was held in Barbados in March, 1944, and was attended by two delegates from every British colony and every American possession in the Caribbean. The Commission has suggested that, should the conference attain "a really influential position", the Governments concerned might endow it with specific powers.

War-time features of the Commission's work include recommendations—many of which have been put into effect immediately—on domestic food production (to meet the food crisis resulting from shipping shortage), fisheries, sugar production, transportation, the transfer of Caribbean unemployed to suitable jobs in the United States, and emergency problems of all kinds. Particularly important has been the part played by the Commission in meeting the problem of rapidly changing demand for sugar. Before the war, the Caribbean area produced about 16% of world sugar output and exported 93% of its own output. World demand dropped in 1941, soared early in 1942 but again dropped sharply when submarine warfare entered the Caribbean and dislocated shipping. There was every prospect of an enormous surplus exceeding available storage capacity. To meet this situation, the Commission recommended that each producing area should be given a quota to cover budgeted domestic and export requirements and an additional quota based on available storage facilities. These proposals formed the basis of U.S. policy regarding the 1943 crop, while Britain dealt with the British West Indies' problem by purchasing the entire output.

Long-term features of the Commission's programme are: the conservation and utilization of natural resources; improved agricultural systems; the development of trade and communications both among the Islands themselves and in relation to the rest of the world; improved public health and adequate housing; the full use of manpower in productive employment; rural welfare; and the broadening of education to include vocational instruction. Arrangements are also being made to investigate the tourist potentialities of the Islands. Broadcasting, as an instrument for creating Caribbean unity and co-operation, is an additional concern of the Commission, and programmes which it has prepared are now broadcast regularly under U.S. Government auspices.

The significance of the Commission extends far beyond the

Caribbean. The British Government has in mind the establishment in other regions of similar Commissions; and on these would be represented not only the States with colonial territories in those regions but also States with a major strategic or economic interest in them * Thus the Caribbean Commission may lead the way to a regional system of international co-operation in the development of colonial territories

(3) *North African Economic Board*

The N A E B was established in December 1942, as a section of A F H Q in Algiers. It comprises both military and civilian personnel. Its functions are, in co-operation with the French civil authorities, to formulate and where necessary to execute plans for dealing with the economy of the territories of French North Africa involving the determination and importation of the essential needs of the civil population and of vital utilities and industries necessary in the war effort, the purchase of strategic materials, monetary, fiscal and exchange, etc., questions, the maintenance of public welfare and health, and the expansion of the production of finished articles, food-stuffs and other materials needed by the civil population and by the armed forces, or elsewhere in the United Nations.

All civilian trade has hitherto been on a government to government basis. In contrast to the Middle East, no direct contact yet exists between private importers in North Africa and private exporters in Britain and America. Under the auspices of N A E B, however, some 1,000,000 tons of goods were imported during the period December 1942 to September 1943,—although well over half this figure represents coal supplied from Britain for military as well as civil consumption. One of the principal tasks of N A E B, has been to assist the French in reviving the industrial life of North Africa, which is more highly developed than that of the Middle East, and for this purpose imports of the necessary equipment from Britain and the U.S.A. have been arranged by N A E B. The other main task of N A E B has been the promotion of exports; North Africa's phosphates and iron ore, in particular, are important assets to the war effort.

Consideration is now being given to the re-organisation of

* c f Speech in Parliament by the Secretary of State for the Colonies, 13th July, 1943

N.A.E.B. on a purely civilian basis. This will probably lead in due course to a partial resumption, at least, of private import trading.

INTERNATIONAL AGENCIES

(1) *United Nations' Permanent Organisation for Food and Agriculture*

The delegates of 44 nations, who met at the United Nations' Conference on Food and Agriculture at Hot Springs, Virginia, in May 1943, drew up a series of recommendations for increasing food production, promoting agricultural development, and improving distribution of foodstuffs, on a world scale. These resolutions were based on the recognition that "There has never been enough food for the health of all people. . . . Production of food must be greatly expanded, we now have the knowledge and the means by which this can be done. . . . The first cause of hunger and malnutrition is poverty. It is useless to produce more food unless men and nations provide the markets to absorb it. There must be an expansion of the whole world economy to provide the purchasing power sufficient to maintain an adequate diet for all."

The Conference also recommended that a "permanent organisation in the field of food and agriculture" should be established, in order to ensure the successful carrying out of the recommendations of the Conference. It was agreed that an Interim Commission should be set up forthwith to draw up a constitution for the Permanent Organisation, and to draft the terms of an agreement in which each participating Government would recognise its obligation "to raise the levels of nutrition and standards of living, and to improve the efficiency of agricultural production and distribution" within its own territory, and to co-operate with other nations to this end, periodically submitting reports of action taken to the Permanent Organisation.

The Interim Commission, which is composed of one representative of each of the 44 nations who participated in the Conference, met in Washington in July 1943. It has made good progress in its task, and it is likely that the constitution of the Permanent Organisation, and the formal declaration of the Governments concerned, will be published in the near future.

(2) *United Nations' Relief and Rehabilitation Administration*

U N R R A was set up on November 9th, 1943, by an agreement signed in Washington by the 41 United and Associated Nations. Its functions, as defined therein, are as follows —

(a) To provide essential relief supplies and services in any liberated area under the control of the United Nations, in conformity with the policy of the Allied military authorities or of the local government of the territory concerned,

(b) "To formulate and recommend measures for individual or joint action by any or all of the member Governments for the co-ordination of purchasing, the use of ships and other procurement activities in the period following the cessation of hostilities, with a view to integrating the plans and activities of the Administration with the total movement of supplies, and for the purpose of achieving an equitable distribution of available supplies. The Administration may administer such co-ordination measures as may be authorized by the member Governments concerned."

(c) To study and recommend for action "measures with respect to such related matters" arising out of its work, as may be proposed by any member Governments.

The constitution of U N R R A vests the responsibility for policy making in the Council, composed of one representative of each of the member Governments, which must meet at least twice a year. When the Council is not in session its work is carried out by the Central Committee, composed of representatives of the United States, Russia, China and Great Britain, presided over by the Director General without a vote. All decisions of the Committee are subject to reconsideration by the Council. The constitution also provides for a Committee on Supplies, appointed by the Council, to recommend "policies designed to assure the provision of required supplies," and Committees for Europe and the Far East, consisting of representatives of all European and Far Eastern member territories respectively. The executive authority of U N R R A is vested in the Director-General (Mr. Lehmann), who is appointed by the Council on the unanimous vote of the Central Committee. He is responsible for appointing Deputy Directors-General and other staff.

The Council of U.N.R.R.A., at its first meeting held in

Atlantic City in November 1943, laid down the principles on which U.N.R.R.A. will operate, determined in detail the scope of its functions, and, in addition to appointing the membership of the Committees on Supplies and for Europe and the Far East, set up a Committee on Financial Control, and Standing Technical Committees on Agriculture, Displaced Persons, Health, Welfare and Industrial Rehabilitation. Regional committees on these subjects are also now being appointed.

The most important decisions taken may be summarised as follows.—

(a) U.N.R.R.A. will be financed by contributions from each member Government amounting to 1% of its annual national income.

(b) Governments in a position to pay for relief services will do so. The Director-General, in consultation with the appropriate Committees of the Council, will determine whether a Government is *not* in a position to pay.

(c) U.N.R.R.A. will operate in any territory only for such a time and for such purposes as may be agreed upon with the military authorities or the local Government, as the case may be.

(d) U.N.R.R.A. may operate in ex-enemy territories if called upon to do so by the administering authorities, but in this case the cost of relief supplies and services must be borne by those territories.

(e) In order to ensure that "demands upon supplies and shipping presented by the Administration should be co-ordinated with other demands through the use of the existing inter-governmental agencies concerned with the allocation of supplies and shipping", the Director-General "will present before the inter-governmental allocating agencies the overall requirements for relief and rehabilitation of all areas liberated and to be liberated, in order to permit a global consideration of these needs with all other needs. He may also present the particular requirements of any country for which the assistance of the Administration has been requested." Governments able to pay for their supplies will have the right to present their requirements direct to the Combined Boards, keeping the Director-General informed. The Combined Boards will, however, take no decisions on these requirements until they have received the Director-General's comments, thus safeguarding to a certain

extent the right of U.N.R.R.A. to ensure that relief goods in short supply are fairly distributed between all claimants. The Combined Boards are not, however, obliged to accept the Director-General's recommendations.

(f) The term "relief and rehabilitation" has been narrowly defined to exclude long-term development schemes or the inauguration of new economic projects

CHAPTER VIII

BRITISH FOREIGN POLICY

A generation ago the statesmen of the great coalition which defeated Imperial Germany had in their hands an opportunity unique in the history of the world. They missed it, and we are to-day living out the dismal lessons of their failure. That opportunity is about to recur, and, by a miraculous conjunction of events, Britain is once more a protagonist in the great combination of peoples which will shortly find itself in undisputed mastery of the world. British statesmen will once again play a leading part alongside those of the other United Nations in framing a settlement which may mould the whole shape of human society for half a century or more to come.

This time they cannot afford to miss the opportunity. Britain cannot hope for a third time to emerge from a major war as one of the principal arbiters of the world's destinies. The responsibility thus falling on the architects of our foreign policy is immense, and the scope of their task unprecedented. The world conflict for whose settlement they must prepare is not an isolated phenomenon, but the culminating episode of a major revolution which is transforming the whole shape of civilisation. Both in our national society and in international society a new pattern is emerging. In these circumstances the basic presuppositions on which our foreign relations in the nineteenth century were based, and which permitted of a remarkable stability and continuity of policy, can no longer be accepted as valid. The very fundamentals of our policy have to be rethought, and new presuppositions hammered out which will permit of similar continuity of policy in the coming years. This means thinking in terms, not merely of this year and next, but of decades and even half-centuries; not merely of diplomatic relations between sovereign governments, but of the whole range of relations between the peoples of the world—political, economic, social and cultural.

To formulate a policy adequate to these new conditions will call for exceptional audacity. There will be no lack of pessimists to harp on the theme that Britain's material power is declining; that we must abjure forward-looking policies because

we "cannot afford" them, that we are dependent on our major allies and must therefore defer to them in all things that we must shirk our world responsibilities because we cannot ask of a war-weary or indifferent British public the sacrifices necessary to discharge them. To all such talk there is a clear answer, and our statesmen must have the courage to give it. Effectively mobilised, the resources of this country, both material and moral, are, potentially, as vast for peace as they are for war. Given leadership, the new spirit which is abroad amongst the British people will carry them forward to sacrifices in winning the peace of the same order as those which they are to-day making to win the war.

Finally, our statesmen must work quickly. The shape of the peace grows continuously, from day to day, out of the events and decisions of the war. To postpone the working out of our new policy until hostilities cease would therefore be little short of disastrous. The pattern of that policy must emerge in the shaping of events to-day and to-morrow.

THE NEW CONDITIONS OF FOREIGN POLICY

It is now widely recognised that the two world wars of the twentieth century and the intervening period of armistice must be regarded as episodes in a major revolution which is reshaping the whole pattern of civilised society. No one can hope to sketch out even the bare outlines of a foreign policy for Britain in the coming years who has not first grasped the nature of this revolution, for it determines the conditions within which policy must be formulated, perhaps for the next half-century. In this revolution three main elements stand out as having a particular bearing on foreign policy —

The first and most obvious is the high degree of integration and interdependence in human affairs which technical advance has brought about. The consequences of events, the repercussions of new policies, the impact of new ideas, have long ceased to stop at national or even continental frontiers. They are world-wide.

It follows that many of the shibboleths of nineteenth-century ideology have become meaningless. "Splendid isolation" has become a backward-looking Utopia. Neutrality has gone the way of the sailing ship and the stage coach. Major issues of national policy can no longer be dismissed as "matters

of purely domestic concern." Forethought, planning, organisation, as we are slowly and painfully learning from the experience of total world war, must be world-wide, and, being world-wide, they must also be long-term.

The second relevant factor in this revolution is the change which it has brought about in the rôle played by the state within the community. The functions of the state are no longer restricted, as in the nineteenth century, to the maintenance of internal order, external security, and the conduct of diplomatic relations. The old division between the "political" and the "economic" spheres, the latter maintaining a more or less autonomous existence as a state within the state, has been irreparably broken down. Gradually at first, rapidly as a result of the war, the state has been reaching out its powers of direction and control into every sphere of the community's activity. In some countries, such as the U S S R, this process has been carried forward on a tide of conscious political volition, in others, such as Britain and America, it has lagged in face of the resistance of an outworn ideology of non-interference, only to be hastened forward by the imperative demands of total war. In all countries the process is, in its general direction, irreversible, because it is the inevitable consequence of modern technical conditions.

It has vital consequences for foreign policy. If twentieth-century states are different in kind from those of the nineteenth, then the relations between them will be different. Their contacts with each other will no longer be limited to a single facet of the community's life; they will extend to every phase of the community's activity—economic, social, and cultural. The interdependence of domestic and foreign policy will be closer than ever before, with potentialities of far greater richness of relations between peoples, but also of far more frequent friction. A corresponding change and development is needed in the machinery for handling these relations.

And there is a further point. Parallel with this change in the character of the state there is going on a change in the character of the personnel who direct or control the processes of the state. A new type of man is coming to the fore in every modern community who is neither the landed aristocrat nor the independent entrepreneur and owner of capital, but the administrator, the organiser, the highly skilled technician. Every-

where he is bringing with him a new outlook and a new approach. No foreign policy will succeed which does not take into account the importance in national and international affairs of this emergent type and seek to win its co-operation both at home and abroad.

The third relevant factor in this revolution is the profound change which has been effected in the constituents of national power. The technical conditions which made possible the co-existence of a patchwork of scores of completely independent, and theoretically equal sovereign national states or "Powers" of varying size and strength have passed once and for all. The attempt of the Versailles peacemakers to give new life to that system was in many respects a retrograde step which made its ultimate overthrow by violence inevitable. In sweeping it away, Hitler's armies were in a sense no more than the unconscious agents of the revolutionary forces and any attempt to rebuild it a second time in its old form could only lead to the same result. Whether we like it or not, the world politics of the post-war years will, in fact, be shaped primarily in terms of the relations between three or four great World Powers and this is the fact which must determine the outlines of the new international system which we aim to create.

To qualify for the onerous role of World Power a nation must possess a formidable combination of resources. It must possess an extensive and highly developed industrial potential, the ability to control or ensure the supply of vast quantities of raw materials, often from sources scattered throughout the world, a high order of technical and administrative skill, and, last but not least, the ability in its leaders to command the continued and active support of the increasingly powerful and politically conscious masses.

But it must also possess something further. The type of association between a powerful nation and a group of smaller peoples which modern conditions require will only be durable if that nation possesses in exceptional degree a capacity for leadership—a leadership which is willingly accepted because it is recognised, not as the selfish attempt of the stronger to impose his will by force on the weaker, but as the most far-sighted and disinterested expression of the common interests and purposes of all.

It is this moral element in power which, if there is any

validity in the idea of the twentieth century as the century of the common man, must and will become increasingly fundamental to the whole concept of power and its exercise in the modern world. It is precisely in this respect that Hitlerism, with its self-centred lust for "racial" domination and its belief in the omnipotence of force, has most obviously and disastrously failed, thereby forfeiting Germany's claim to be a World Power. It is precisely in this respect that the British people can hope to find a lasting source of strength, thanks to the value which their long experience in democratic evolution, both at home and within the Commonwealth, has taught them to set on this element in power.

BRITAIN'S WEAKNESSES

But we must first analyse in greater detail both the weakness and the strength of Britain's world position in the light of these new conditions

Of our weaknesses, the first and most obvious is that our material power has declined and is declining relatively to that of the other World Powers. The material pre-eminence which was ours in the nineteenth century has passed once for all. Our now almost stationary and ageing population of less than 50 millions is less than half that of the United States and barely a quarter that of the U.S.S.R. The days of a "two-power standard," based on a navy which was undisputed mistress of the seas, are gone for good. Unlike the U.S.A. and U.S.S.R., we contain within our own island territory only a small proportion of the vital raw materials upon which industrial power is built. The rest, together with the greater part of our foodstuffs, we must draw from the four corners of the world over long and vulnerable lines of communication from sources often not under our own control.

Even more important is the passing of our pre-eminence as the workshop of the world, the mainspring of the world's commerce and capital investment, and the master-mechanic of the world's financial machinery. The centres of gravity of the world's heavy industry have shifted eastward and westward. In steel production, which is the hard core of industrial power in the modern world, the United States could show an output even in peace-time of 51 million metric tons (1937) and the U.S.S.R. 19 millions (1939), as against Britain's 13 millions (1937).

Our other basic weakness lies in a less material sphere. Living on the moral capital of our past greatness, we have still failed to adapt ourselves sufficiently to the realities of our new situation. We have been too slow in shaking off the outworn attitudes of mind and social and economic forms which once stood us in good stead, but now clog our thinking and frustrate our national will and energy. Though second to none in inventiveness, we have been shy in the application of new methods and techniques, whether in the sphere of warfare, industry, or social organisation.

Lastly, we have been content to present to the world an incomplete and distorted picture of ourselves, or rather to leave its presentation in the hands of a type of Englishman who has become increasingly unrepresentative of the life of Britain. And, what is even more important, we have so far failed to generate, either in our domestic or foreign affairs, a sense of mission, of standing for a set of values and a way of life. Of all the Powers which in recent years have made a bid for world status, each one, Germany, the U.S.S.R., America, Japan, even Italy, has in its different way generated a sense of mission, has offered the world an ideal. We alone, though we had at least as much to offer as any other, were content to offer nothing but merely negative appeasement and the stale appeal of past ideals.

These weaknesses are fundamental, and it is essential that in the framing of our foreign policy they should be squarely faced. But it is equally essential that they should not be exaggerated and made into excuses for inaction and timidity. Even in the material sphere what will count above all will be not the absolute amount of our resources, but our will to use them. If we listen to the pessimists who trounce every bold proposal with the cry that we cannot afford it, or that the British public will not stomach it, then, whatever the extent of our ultimate resources, we shall condemn ourselves to the status of a second-rate Power. If on the other hand we have the will, the administrative capacity and the leadership to mobilise our resources as fully for peace as for war, accepting sacrifices in peace time of the same order as those we have accepted in war, then, as our war-time achievements have shown, we need have little fear of the limits imposed by our physical resources. And as to our more intangible weaknesses, these, though highly damaging, are even more remediable by our own efforts. Not the least of

the tasks awaiting the framers of our foreign policy will be the exercise of such imaginative leadership as will ensure that those efforts are forthcoming.

THE ELEMENTS OF BRITISH STRENGTH

Moreover, against these weaknesses we must put into the balance the durable elements of our strength. First, there is our geographical position between Europe and America, a position reinforced by our historical role as the bridge between the old world and the new. There is our position as the nucleus of a world-wide Commonwealth of free peoples—an association whose cohesion the war has once again strikingly demonstrated, and for which the more rationally planned world of the future will open up new possibilities of intimate collaboration, imparting new strength to all its member nations.

In the sphere of industry there is the high degree of technical skill and the high quality of British workmanship—to which our achievements in the air and in many other phases of the war bear witness, and which has been yet further enhanced by the extensive development in training and technical skill resulting from the war. This will qualify us to play a leading part in a world economy directed towards raising living standards.

In the cultural and intellectual field, quite apart from our inherent potentialities, we shall have a special position for two reasons: first, because the people of war-ravaged Europe will look to us, as the temporary repository of European culture, for help and guidance in picking up again the scattered threads of the European tradition, and in rebuilding the institutions—churches, universities, trade unions and many others—in which it is largely embodied. Secondly, in a world where English will become more and more the language of international intercourse, we shall share with the other English-speaking peoples the benefits of that development.

But it is in the social and political field that our greatest potential strength lies. Here geography and history have endowed us with an exceptional wealth of experience, expressing itself in our capacity for tolerance and compromise and for combining change with continuity; in the strong sense of national unity which we combine with a development of the free institutions and associations that give vigour and variety

to a modern community, in our social and political inventiveness and adaptability, whether it takes the form of a new constitution for the Commonwealth, of a Beveridge Plan for Social Security, or of the spontaneous organisation of an A R P shelter concert.

The same factors of history and geography have given us, through our world-wide associations, great experience in the handling of world affairs and of relations with foreign peoples from the most advanced to the most backward, and they have had another and even more important consequence. The British people have begun to learn, as other nations of world importance have often failed to learn, the necessity of harmonising their own national aims and aspirations with the basic aims and values of civilisation. That most deep-rooted and powerful of social instincts, the instinct of patriotism, which in Nazi Germany or Fascist Italy has been mobilised for ends fundamentally in conflict with the basic values of civilisation, can in Britain be summoned up for ends which are of world-wide appeal.

Such are the potentialities in the British people which the framers of our foreign policy must turn to account. By no means all of them are fully realised in our society as it is now organised. Many of them have long been frustrated by economic and social inequality, by the persistence of obsolete ideas and methods, by the obstruction of vested interests, by timid and unimaginative leadership. Given the necessary adaptation of our society and a courageous leadership, both in home and foreign affairs, which will release these latent potentialities, they will be enough not merely to outweigh our material weaknesses, but to carry us on to what may be one of the great periods of our history.

SOME MAIN PRINCIPLES OF BRITISH FOREIGN POLICY

From this analysis certain important conclusions may be drawn as to the basic principles of Britain's future foreign policy.

First, granted the relative decline of our material power, we have a greater interest than any of the other World Powers in encouraging and rendering permanent the process of integration or "mixing up" of the affairs of nations which is already powerfully at work. With this in view we must take a lead in

formulating common policies of international action and in devising common mechanisms to carry them into effect.

Secondly, recognising that there are necessary limits to this process of integration, and that for many years to come the great World Powers at any rate will retain a large measure of separateness and individuality, we must put our relations with those Powers, and particularly with the U S A and U.S.S.R., on a sound and lasting basis.

Thirdly, acknowledging the impact of changing conditions on our geographical position, we must learn to think of ourselves as more than ever a European Power, with new and heavy responsibilities in Europe and the obligation to work out a new and lasting relationship with the peoples of Europe.

Fourthly, recognising that the conditions of the twentieth century call for a new type of relationship between the advanced and the less advanced peoples, and that we, as the trustees of large territories inhabited by less advanced peoples, have a particular responsibility for working out that relationship, we must set out to do so without delay and to apply the results, in co-operation with the other World Powers.

Fifthly, we must plan to turn our special talents and advantages as a nation to maximum account, for the benefit both of ourselves and of the world at large. We must find new types of export to replace the textiles, the business men and the liberal constitutions upon the export of which our nineteenth-century greatness was largely based.

Finally, the planning and execution of a foreign policy of this order will call for the far-reaching overhaul and expansion of a mechanism for conducting foreign relations still insufficiently emancipated from the preconceptions of nineteenth-century diplomacy.

The remainder of this chapter is devoted to analysing some of the implications of these six conclusions.

(1) *Common policies and common machinery*

We have seen that it is now more than ever before a vital British interest, in order to hasten the process of "mixing up" of the affairs of nations, to take a lead in formulating common purposes and policies of international action and in devising common machinery to give them effect.

This does not mean that we should commit ourselves to the

Utopia of World Federation which is too apt to befog the current discussion of questions of international machinery. Every common policy and mechanism which we propose must invariably satisfy two tests. It must be designed to meet some real and basic need which is common to ordinary men and women everywhere, and it must also be capable of giving concrete results commensurate with men's expectations.

Let us therefore begin by asking what international policies and mechanisms are required to meet the two most immediate needs of the common man everywhere—freedom from fear and freedom from want, and having found the answers, let us set their realisation in the forefront of our policy.

FREEDOM FROM FEAR

Freedom from fear arises as a practical aim of international action, and therefore of British policy, at two levels. First, there are many countries in which fear is endemic, either through lack of efficient systems of internal security and policing or through the deliberate policies of governments in persecuting minorities. Of the latter, the most glaring, though by no means the only, example in recent years has been the Nazi treatment of the Jews. Such questions recent British Governments have been only too ready, on the basis of an allegedly traditional policy of non-interference, to dismiss as "matters of purely domestic concern." This is a policy which is no longer in keeping either with the realities of the age or with Britain's responsibilities. So far from being "matters of purely domestic concern," the failure of states, whether by negligence or deliberate policy, to uphold internal security has repeatedly had international repercussions of the most dangerous kind. There was a period of British history when this fact was fully recognised and its implications unhesitatingly acted upon, and it must once more become a cardinal principle of British policy. British Governments, in concert with the governments of like-minded nations, must be fully ready to use their influence to uphold the rights of the common man everywhere to freedom from fear, by encouraging the recognition of civic rights, by assisting where necessary in the development of internal security systems adequate to guarantee them, and by opposing policies of persecution and discrimination.

Secondly, there is the epidemic fear which arises from war

and the threat of war. Here the attainment of freedom from fear requires a policy of security against aggressors, implemented by joint policing machinery. As regards the policy, the foundations have already been laid in the Atlantic Charter, with its provision for the unilateral disarmament of the aggressors of this war, and its implications need not be enlarged upon here save in saying that it would be disastrous if the United Nations, through the withdrawal of some of their leading members into an irresponsible policy of isolation, repeated the error of the victors of the last war in forfeiting their predominance of armed power within twenty years of their victory.

The question how far it is possible to create joint policing machinery to give this policy effect requires closer consideration. On the technical and administrative side the events of this war have shown conclusively that the pooling between partners of armaments and supplies, bases, plans, commanders, even of uniforms, presents no insuperable difficulties. A number of war-time arrangements offer valuable models for peace-time application in an international policing system, from the leasing of bases by Britain to the U.S. and the lease-lend arrangements, to the operation of the combined material and planning boards, and the inclusion within the framework of the R.A.F. of Allied squadrons. The experience of war suggests that sea-power in particular, to which the development of the air arm has given new reach and striking power, lends itself to organisation on an international basis; and the special position occupied in respect of sea-power by the English-speaking peoples should render such a development all the more feasible by providing a ready-made nucleus round which a system for policing the oceans could be built. This would provide a secure basis for a world security system, and the next stage, that of developing an international air-police force, perhaps linked up with small but highly mobile land striking-forces with standardised equipment and training, presents no insuperable difficulties of a technical kind.

The limitations and difficulties lie not in the technical but in the political sphere. Does there yet exist, or will there exist before the war is ended, that permanent and indissoluble unity of strategic purpose as between the major World Powers which a complete internationalisation of security arrangements presupposes? The answer will depend partly on developments

which take place in the direction of combined strategy amongst the United Nations in the course of the war itself, but mainly on the extent to which, in the long run, the unity of purpose amongst the United Nations survives the defeat of the common enemy and the elimination of Germany and the other aggressors as military powers. In seeking to promote developments in the direction of international policing, British policy must ensure that these developments keep in step with evolution in the wider political sphere.

FREEDOM FROM WANT

Vital as they are in providing a framework within which a new international system can grow, the policies and mechanisms for securing freedom from fear will constitute only one element in that system. They are the negative and static element; and they will in the long run prove useless unless they are complemented by the emergence of common purposes and policies of a positive and creative character, which will supply the dynamic of the new system. Indeed, without this positive element, the attempt to build a scheme of international security will be worse than useless, for it will create a state of affairs in which the sole unifying factor amongst the victorious United Nations will be their common determination to hold down the vanquished. That way no hope lies, either of a durable unity amongst the United Nations or of the eventual reintegration of the peoples of the defeated countries into the community of nations. It is imperative, therefore, that side by side with their efforts to realise international security, British statesmen should take a lead in formulating common aims and purposes of a positive character which will unite ordinary people everywhere in a common determination to get results.

Those aims are most likely to be found in the social and economic sphere, and they may be summarised in the idea of freedom from want. This is an idea which for the first time in recent history presents itself as a practicable aim of international policy. It has often been pointed out that the failure of the League of Nations to provide adequate machinery for the handling of economic problems was one of its major defects. The judgment is no doubt a fair one; but the defect was inevitable because of the still prevailing attitude of hostility towards the intervention of the state, and therefore a *fortiori* of interstate

machinery, in economic affairs. The past twenty years have seen a radical change in this respect. In every advanced community to-day the State both plays and is expected to play a major part in economic and social life. It follows that economic and social policy and machinery must in future constitute an essential factor in any system of co-operation between states.

To this new view the Atlantic Charter has given general expression. It has formulated the wide measure of agreement which already exists amongst all the United Nations as to the ends of economic policy—namely, that it shall be directed towards the raising of living standards everywhere, and the full mobilisation of the world's resources, material and human, for that purpose. What is now needed is a more concrete and precise definition of this common aim, and the devising of the international machinery necessary to implement it.

A SOCIAL CHARTER

This definition should take the form of a Social Charter, clarifying and extending the economic and social clauses of the Atlantic Charter. The Charter would enunciate two principles, acceptance of which would be required of all the United Nations. First, that every government should treat as a paramount obligation and a first charge on its national resources the provision, for all its citizens in all circumstances, of a certain basic standard of living in respect of food, clothing, housing, and the other prime essentials of life, calculated in terms of the real needs of its citizens and the real resources of the country; and, second, that it is a particular obligation incumbent upon the economically advanced nations to extend aid in attaining those standards to the less advanced and prosperous, who would have a recognised claim to such assistance to the extent that they effectively planned their resources in accordance with the Charter. Such a policy, and its embodiment in a solemn world-wide pronouncement, would not only give a more immediate reality, in the eyes of peoples living below the poverty line *everywhere*, to the *hitherto somewhat abstract promises* of freedom from want. It would at the same time give to the peoples of the more advanced countries a new sense of purpose and a new assurance that, in devoting their resources to the fulfilment of that purpose, they could free themselves from the frustration and mass unemployment which has been the most

potent source of fear and want in their own countries. It is therefore a policy which Britain has every reason to encourage and support.

What machinery will the implementation of such a policy require? It is clear that many of the objectives contained within the broad aim of freedom from want, the carrying out of schemes of social security such as that outlined in the Beveridge Report, and of policies for improving housing and medical services, must remain primarily within the sphere of national governments. What is important here is that such schemes and policies should be framed with full knowledge of the methods and experience of other countries and on lines which will help and not hinder similar developments elsewhere. For these purposes what is needed is the development on a much wider scale of machinery of the kind which already exists in the form of the International Labour Office and the economic organs of the League of Nations, and British policy must be ready both to encourage the growth of such machinery and in general to show a much fuller awareness than in the past of the implications for other countries of social and economic developments in Britain itself.

In certain spheres, however, there is clear need for international machinery of an executive character. In some cases this may be expected to work best on a world scale, in others on a regional basis. In every case we should conceive of it not as created suddenly out of nothing in accordance with the requirements of some blueprint, but as growing organically out of existing war-time machinery or out of the actual needs of the immediate post-war situation.

Thus there will be need at an early stage for machinery both to control the supply and distribution of basic raw materials, and to finance the reconstruction and development of devastated or undeveloped areas. In both cases the machinery will best operate on a world scale, since the sources both of available capital and of basic raw materials are world-wide. In the case of the raw material controls prototypes already exist in the war-time Combined Raw Materials and Combined Food Boards, and, in another sphere, in the International Wheat Council, all of which could be adapted and developed to include all the United Nations. The principles upon which such machinery should operate in peace-time have been more

fully discussed in a previous chapter, '*Commodity Control*.'

As regards the financial machinery required to ensure that the necessary credits are available from the economically advanced countries to finance the development of the less advanced, extensive precedents have already been set by the operation of the Lease-Lend agreements. The principles upon which this machinery would work must differ radically from those on which international financial bodies have operated in the past, in two ways. First, the loans should be neither private nor simply inter-governmental but operated through an international investment institution, whose object would be an equitable pooling of the burden of international investment; secondly, the criterion should be not whether a given investment is likely to prove financially profitable, but whether it provides the most economical means of relating available resources to the most urgent human needs. This is not to say that its objects would be philanthropic, or that it would impose a burden on the advanced countries for which they would see no return. The return would be none the less important because it would appear in the form, not of short-term profits appearing on the balance-sheets of the more successful private undertakings, but of a social dividend accruing to the community as a whole—new and expanding markets for producers, greater security of employment for workers, and a heightened sense of political and social security for all.

International investment is not one of the functions of the proposed international Monetary Fund. In the Joint Statement by Experts* it is laid down that "a member country may not use the Fund's resources to meet a large or sustained outflow of capital . . ." and, further, that "the Fund is not intended to provide facilities for relief or reconstruction." It is clear, however, that an International Investment Institution would have to work in close co-operation with the Fund. The need for such an Institution was emphasised by Lord Keynes in the House of Lords' debate on the Fund.†

For purposes of planning the development of resources and the raising of living standards, it may prove best to constitute

*Cmd. 6519

†House of Lords, Official Report, Vol. 131, No. 51, cf. also the proposals for an International Bank for Reconstruction and Development agreed at the Bretton Woods International Monetary Conference, June-July, 1941

Economic Planning Authorities on a regional basis (the region for this purpose being an area of substantial dimensions such as Europe or Latin America). The function of these authorities would be to plan the overall development of the area on the lines laid down in the Social Charter—that is, maximum use of the area's resources for the satisfaction of human needs. They might well operate in terms of five-year plans for the attainment of living standard targets throughout the area. Here a prototype already exists in the Middle East Supply Centre (see Chapter VII), and a similar body or bodies for Europe can well be conceived as growing out of the European machinery set up for immediate post-war relief.

Finally, there will in many areas be need of international executive agencies for specific purposes of more limited scope, such as the control of transport and the development of power. Prototypes of such agencies may already be seen in such bodies as the United Kingdom Commercial Corporation or the United States Commercial Corporation, or in another sphere in the Tennessee Valley Authority, which, with the necessary adjustments to a widely different political environment, might provide the model for similar developmental experiments—e.g., in the Danube Valley. International public authorities might also be set up to supervise industrial development in advanced areas where industrial groupings overlap a number of frontiers—as in the Westphalia-Rhine-Luxemburg or the Silesian group.

POLITICAL MACHINERY

The ultimate decisions of international policy, and therefore the ultimate control of the various international mechanisms described above, must clearly devolve on authorities of a political nature. Here we must think primarily in terms of a World Political Council, which may be expected to grow out of the war-time co-operation of the United Nations, and which will be the ultimate focus of all major international problems; and possibly of subordinate regional councils, such as a Pan-American, European, or Far Eastern Councils, to consider questions of purely regional concern.

On the World Council the representatives of the four World Powers will inevitably play a leading part; and on the degree of co-operation and common purpose existing between those

Powers its effectiveness will ultimately depend. This point cannot be too strongly stressed. Until the process of "mixing-up" between the peoples of the world, and particularly between the peoples of the great World Powers, has gone far further than to-day we even conceive of, we must recognise that any world political institution must be an organ of co-operation and no more. It will not and cannot be an organ of World Federation, enjoying the power and cohesion of a federal government such as that of America or Australia.

In the present stage of evolution the organs here described represent, in respect of machinery, the strategic points which must be occupied for the winning of the peace. They are interdependent in the sense that *none of them* will give adequate results unless all the others are firmly established. All of them are mechanisms which can be conceived as growing organically out of existing institutions or out of concrete needs which will arise in the near future, for many of them prototypes already exist.

As regards Britain's part in framing and operating them, there is one point of special importance. Granted that it is a vital British interest to effect the maximum integration in the affairs of nations, it follows that, wherever international institutions exist and show signs of achieving results, our policy should be to work with, and through, them to the maximum extent. To the argument that this will entail a dangerous curtailment in our "sovereignty," it must be answered that we should be the first to make those sacrifices which we expect from others, and that in proposing to plan for others we should show at least equal readiness to be planned for ourselves.

(2) *Britain and the other World Powers**

We have seen that in the world of the future it will be the relations between four World Powers—Great Britain, U.S.A., U.S.S.R., and, in the Far East, China—which will constitute the essence of international politics, and on whose character will ultimately depend the efficacy of all the common policies and machinery which may be devised. The first task of British policy is, therefore, to build Britain's own relations with the other World Powers, and above all with the U.S.A. and U.S.S.R., on a sound and durable basis.

* Britain's future relations with U.S.A. and U.S.S.R. are more fully discussed in two earlier chapters, *Anglo-American Economic Policy* and *Britain and Europe*

In this task we shall succeed on three conditions: first, that we always keep before us the long view. The longer perspective will remind us, for instance, that Russia may in twenty years rival America in the extent of her resources, both material and moral; that America, even if temporarily infected by a mood of doubt or withdrawal, must in the long run be drawn by steady pressure of circumstances into an acceptance of full participation in world responsibilities.

Secondly, we must keep no less clearly in view our ultimate aim, which, in a world in which our own material power has declined and is declining, must be to consummate the process of integration and to hasten the tendencies towards interdependence in world affairs. And, as a corollary to this, we must ensure that the international policies which we ourselves pursue are always such as we could wish and expect to see adopted by the other World Powers.

Finally, we must have a clear and positive picture before us of the role which we ourselves are best fitted to play in the new world balance. We should think of the future neither in primarily Anglo-American nor in primarily Anglo-Russian terms. Attractive as it may appear to many in view of the ties of culture and tradition which unite the English-speaking peoples, the predominance of the material resources which they jointly command, and the proved viability in this war of Anglo-American collaboration, an exclusively Anglo-American partnership is full of dangers. Not merely will it militate against our chances of success in the equally important but—for reasons of language and ideology—far more difficult process of building up our relations with Soviet Russia, not merely will it arouse the suspicions of our friends and allies in Europe and elsewhere; but it may leave us dependent, to a degree which would be healthy for neither of us, on an America whose aims and policies may temporarily diverge from our own at a critical period. An exclusively Anglo-Soviet partnership, on the other hand, contains equally great dangers, if only because of the links which bind us to the New World.

Least of all should we allow ourselves to serve as a passive buffer between the one and the other, following a policy determined not by our own volition, but by the sum of pressures from the external world. Rather we must mark out for ourselves the positive role of harmonising and synthesising the aims

and policies of both. To play this role we must find new strength not only in ourselves, but also in a closer association both with the other nations of the British Commonwealth and with the peoples of Europe.

(3) *Britain and Europe*

With Europe more perhaps than with any other part of the world the pattern of our relations needs drastic overhaul in the light of twentieth-century conditions. Two new developments, the aeroplane and the final breakdown of the old European balance-of-power system, have made it imperative for us to abandon once and for all our traditional detachment, and to work out a new and far closer relationship with the peoples of Europe.

The first essential of this new European policy is that it should be conceived within a framework of durable British relations with the U.S.S.R. and the U.S.A. The U.S.S.R. occupies a position *vis-à-vis* Europe which is very similar to that of Britain. Both are European Powers, though both have extensive interests outside Europe. In Europe both have a basic community of interest, not only in their common need for security against Germany, but in their common desire for a stable and prosperous Europe. This permanent community of interest is now embodied in the Anglo-Soviet Treaty, which constitutes one of the master documents of the future European system and lays the foundations for the close Anglo-Soviet partnership in Europe essential to Europe's future stability and prosperity. It follows that our European policy must at all stages be worked out in close agreement with the U.S.S.R.

As regards the U.S.A., the notion must be scotched once and for all that there is some inherent conflict between Anglo-American relations and a closer British association with Europe. On the contrary, the one is the necessary condition of the other, for it is precisely in a closer association with Europe that we may hope to find the strength we need to make a positive contribution to Anglo-American relations.

On the other hand, the determination of the respective roles of Britain and America in the new Europe will call for careful thought. Here the first objective directing our policy must be that, bound as we are to Europe by the inescapable facts of geography, we should work out a relationship with Europe that

can, if need be, stand on its own merits. Second only to this in importance is the objective of working out our policy in full accord with the U.S.A., and of associating America as fully and permanently as possible in the new European pattern.

Within this framework, Britain's role in her association with the Western European peoples must be one of leadership—a leadership of the type defined earlier in this chapter, one, that is to say, which fully associates all the nations concerned both through their governments and, what is even more important, through their individual citizens, in all its undertakings and which is freely accepted because it is recognised as being exercised in the best interests of ordinary European men and women. It must be our constant aim, by devising common policies and constructive aims which will unite the people of Europe, and by helping to develop in every country a new generation of men and women with a common European outlook and loyalty, to hasten that process of "mixing-up" which is the one way to lasting European unity.

Within this association we shall have a special obligation to work out a new and more intimate partnership with the people of resurgent France. Here we can be sure that out of the tragic experience of the past four years there will emerge in France a new outlook and a new type of leadership. To any such development we must give every possible encouragement, even at the cost of extensive sacrifices, in the realisation that only in close partnership with a revitalised France can we help to give Europe the leadership and unity which it needs.

THE PEOPLE OF GERMANY

No less decisive for the future of Europe will be the success or failure of our policy towards the people of defeated Germany, who will continue to be the largest national block west of Russia, with a key geographical position and an exceptionally high level of industrial and technical development. In recent years the British attitude towards Germany has varied between an unconstructive desire for revenge and a sloppy sentimentality, with corresponding variations of our policy towards Germany between one of ruthless repression and one of total appeasement. Neither policy by itself offers any hope for a secure peace in the future. The results of the policy of appeasement are now sufficiently obvious to eliminate any desire for

its repetition save amongst the lunatic fringe. What perhaps is not so clearly recognised is that a policy of unconditional repression based on a theory of the inherent wickedness of the entire German race, and accompanied by an attempt to break Germany into pieces, would be little better, since it would leave a huge festering sore which would rapidly infect the whole of Europe and stultify all hopes of real and lasting European unity.

The only feasible attitude towards Germany is one which is dictated neither by revenge nor by sentimentality, but by a desire to do what is best in the long run for Europe. The only practicable policy is one which, while permanently eliminating the German Reich as a separate military power, offers the German people full scope to rebuild themselves as a modern community and to play an important part in the life of a united Europe. On the negative side, this means that the entire Nazi war machine must be taken to pieces as systematically as it was built up. Those parts of it which have no place in the new Europe—the Nazi Party machine and all its paraphernalia such as the Gestapo, the para-military organisations, the propaganda cadres; the officer caste, the Junkers, the private capitalists of the Krupp and Thyssen type; the armaments factories—all these must be ruthlessly extinguished. Those parts which can be adapted to the new European system—transport, civil aviation, heavy industry in the border areas of Germany—must be not dismantled or destroyed, but brought under one form or another of European public control for the benefit of Europe as a whole—an arrangement which the Germans may more readily accept if they see in it the prototype of a system which, with the development of international agencies, is to be extended throughout Europe.

On the positive side, there must in any relief schemes be fair treatment for Germans in respect of basic human needs. While it is clear that in anything above the bare minimum the countries despoiled by Germany must have priority, starving Germans must assuredly also be fed and clothed on the basis of similar standards. There must be no attempt to effect the dismemberment of Germany against the will of the German people. We must give the Germans every encouragement, and if necessary, assistance in the shape of materials and personnel, in rebuilding their social and economic institutions, so far as

these are designed for the welfare of their people, and we must give full scope for German industry and talent to play its part in the rehabilitation and development of Europe, in particular bringing in individual Germans at an early stage to help in the gigantic technical and administrative tasks with which Europe will be faced.

(4) Britain and the less advanced peoples

To speak of Britain as more than ever before a European Power is not to imply that the British people should contract out of their responsibilities in Africa, in the Middle East, in Asia, in the West Indies, and elsewhere. On the contrary, the revolution that is going on about us renders it more imperative than ever that we should face up to these responsibilities by working out a system of relations with the less advanced peoples adapted to the new conditions. And that system must set out to meet the problems not only of those colonial dependencies for which we bear direct responsibility, but also of areas such as the Middle East, whose peoples, though politically independent or ripe for independence, have not yet attained a degree of economic and social development that would enable them to take the best advantage of modern technological advance.

Here we have an accumulation of experience to build upon. Our past record, for all its many blemishes, is by no means one to be ashamed of. Many of the great advances in the philosophy or relations between advanced and backward peoples, from the abolition of slavery to the idea of trusteeship, have been the invention of British thinking and experience. The weakness of recent British thinking in this field—and it is a weakness characteristic of the British liberal tradition—is that it has been too exclusively political. It has tended to elevate the objective of political self-government into an all-sufficing purpose, while ignoring the no less vital objectives of economic and social advancement. It has allowed economic exploitation, sometimes of the crudest kind, to exist side by side with enlightened political administrations. It has encouraged the growth of highly sophisticated though often irresponsible political groups, clamouring for political independence, in areas where social conditions remained primitive in the extreme.

The solution lies in a policy which shifts more of the emphasis from political to social and economic advancement and imparts

a new drive and sense of urgency, this time not to the task of economic exploitation, but to that of building up communities whose all-round development enables them to stand on their own feet. Such a policy entails *four things*. First, the exercise by British Governments of their authority or influence to ensure that no private interest, British or other, operating in an undeveloped area, shall pursue aims contrary to the well-being and advancement of its inhabitants, secondly, the making available by Britain, in conjunction with the other advanced nations, of substantial resources of equipment and technical personnel, for the development of basic social and economic services, thirdly, the encouragement of local industries to meet local consumers' needs, even where these may appear to curtail the markets of pre-war exporters, and finally, and perhaps most important, the development, by large-scale training and educational schemes, of a class of native technicians and administrators capable of progressively taking over the development of the *rown* country.

At the same time in colonial areas the idea inherent in the concept of the dual mandate, that to the administration of its dependencies the colonial Power has responsibilities to the world at large as well as to the native inhabitants, calls for a fuller and more formal recognition. This does not mean superseding the present system of administration through a single colonial Power by one of direct international administration—a system which is generally agreed to be unworkable. It does require that there should exist in every colonial area an advisory council of the governments primarily interested in that area, staffed with experts on various aspects of colonial development, to supervise and correlate the policies of the colonial Powers concerned (for such arrangements the Anglo-American Caribbean Commission provides a possible prototype), and, further, that there should exist a central international advisory council, perhaps on lines similar to the Mandates Commission, but including all backward areas in its scope, which would draw together the experience of the regional commissions and have functions of supervision over all the colonial Powers. At the same time it is important that personnel from all the more advanced countries should be widely associated in the development of technical and social services in all the backward areas.

(5) *Britain's new exports*

In the nineteenth-century world of *laissez-faire* capitalism, our world-wide prestige was based not merely on our armed power, but on the inestimable advantages which we had gained as the protagonists of the industrial revolution. It was not merely that Britain was the workshop and financial centre of the world and the source of huge foreign investments. Britain was also the *locus classicus* of the emergent middle class, with their new ideology and new social and political forms. British traders carried not only British goods, but British prestige and ideas to all parts of the world. Britain was looked upon by progressive forces everywhere as the leader of the new liberal ideas, and these forces were, therefore, everywhere her allies. What, then, should be our aim in order to uphold our position as a World Power in the conditions of the twentieth century?

First, in the field of material exports we must make full use of the new possibilities of national planning to concentrate on producing those things for which our talents specially fit us, unhesitatingly scrapping industries which hinder the full deployment of our resources or lead us into needless conflicts with our friends overseas. Here the essential fact is that we are now first and foremost a processing and servicing country, earning our living by adding brains and skill to the raw products of the earth, and that our special advantage lies in our exceptionally high level of technical and organisational skill and quality workmanship.

From this it follows that we must concentrate on supplying the highly complex machinery and technical services required for the development of backward or underdeveloped areas. And this is of particular importance for a further reason. One of the most urgent needs of the less advanced peoples is, as we have seen, the large-scale development of local industries to meet the standard basic needs of local consumers. For us to persist in providing from Britain the basic consumer goods which enter into direct competition with the nascent industries of these countries must mean—as it has meant in the past—competing with the very people whose development it is our aim and interest to assist. By adapting our industrial structure to supply the capital goods and technical services which these peoples need to build up their own industry, we shall be creating new opportunities for winning their co-operation and good will.

At the same time we must concentrate on developing those new lines of highly specialised consumer goods for which there will be constantly increasing demand, thanks to the growing diversification of wants in an expanding world economy. Here it is essential, if our productive power is to be turned to the best account, that we should develop and apply the new techniques of consumer research far more systematically and extensively than we have done in the past.

Secondly, we must ask ourselves who are the emergent types of the twentieth century, corresponding to the business men of the nineteenth who carried British ideas abroad and won the good will of their foreign counterparts. The answer is that this new type is to be found amongst the technicians, the managers and the administrators, whether industrial or social, public or private. This is the type to which we must seek, through our educational system, to give a new awareness of Britain's responsibilities to the world, it is also the type to which we must look in other countries as our friends and collaborators; and which we must help to create amongst the less advanced peoples as the carriers of progress and as our future friends.

Finally, we must consciously aim at developing our potential exports in the field of social and political techniques and ideas. Here, in the future as in the past, our influence must be by force of example. Just as in the nineteenth century the peoples of Europe or, say, Latin America looked to Britain for models in which to embody their new-found political freedom, so we must contrive that other nations should look to us in the twentieth for models, such as the Beveridge Plan, in which to embody their aspirations to social progress.

(6) *The machinery of foreign relations*

It is clear that the task here outlined lies at many points beyond the capacity of our present machinery for foreign relations. Developed in a period when the stuff of international relations was primarily political, when the only section of the community which counted for purposes of foreign policy, either at home or abroad, was a relatively small upper class, and when the basic principles of our policy were few and so well established as to have become accepted categories of thought, that machinery is now in urgent need of overhaul. To-day the formulation and conduct of foreign policy involves every phase

of the community's activity, economic and social and cultural as well as political to-day it is vital that every class and group of the community should be represented and projected overseas; and the basic presuppositions concerning world power relations which governed our nineteenth-century policy are to-day so radically altered that there is need of the most far-reaching investigation to replace them with new presuppositions which will be equally durable for the future.

The need for an overhaul of our machinery in the light of these new conditions has now been admitted* and changes have been promised which go some of the way to meet it. But they do not go to the root of the matter. There is still not enough evidence that the vital importance for our foreign policy of our economic, financial and cultural relations with foreign countries, of the new techniques of propaganda and publicity, of the new problems of our representation abroad, have been adequately grasped, or the activities of the departments concerned with these matters adequately co-ordinated. No changes will in the long run prove adequate which do not—perhaps as a part of the more general overhaul of the machinery of government—put into the hands of a single Minister effective powers to supervise and co-ordinate the activities of the other departments primarily concerned with foreign relations, and provide him for the purpose with a Foreign Policy General Staff fully competent in all the subjects and techniques which he will be required to handle. Nor can we expect a fully adequate Foreign Service without provision for a steady inflow into it of personnel, not only from other government departments, but from other walks of life, who will help to maintain the width and modernity of outlook essential for the new tasks.

THE NEW BRITAIN

One fundamental point must be emphasised in conclusion. The foreign policy of a country has always been intimately bound up with its domestic policy and with the whole character of its national life; and this is more than ever true of twentieth-century Britain. The foreign policy outlined in this broadsheet presupposes a unity of purpose, a self-confidence and a readiness for sacrifice and effort on the part of the British people which will only be forthcoming in a society far more fully

* Cmd. 6420 *Proposals for the Reform of the Foreign Service*

adapted than hitherto to the conditions of the twentieth century. The domestic changes, some of them drastic, which are needed to make this new Britain a reality raise issues too wide for discussion in this chapter. But they are issues which our statesmen must have constantly in their minds when framing a foreign policy to meet the revolutionary challenge of a new world.